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APPROPRIATIONS FOR FEDERAL CONTROL OF TRANSPORTATION SYSTEMS AND CERTAIN URGENT DEFICIENCIES FOR 1920

HEARING

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BEFORE

U.S. Congress.

SUBCOMMITTEE OF HOUSE COMMITTEE ON APPROPRIATIONS

CONSISTING OF

MESSRS. JAMES W. GOOD (CHAIRMAN), JOSEPH G. CANNON, C. BASCOM SLEMP, JAMES F. BYRNES, OF SOUTH CAROLINA, AND JOHN M. EVANS

IN CHARGE OF

DEFICIENCY APPROPRIATIONS FOR THE FISCAL YEAR 1920 AND PRIOR FISCAL YEARS

SIXTY-SIXTH CONGRESS

SECOND SESSION

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COMMITTEE ON APPROPRIATIONS.

HOUSE OF REPRESENTATIVES.

SUBCOMMITTEE ON DEFICIENCY APPROPRIATION BILL.

JAMES W. GOOD, Iowa, *Chairman*.

JOSEPH G. CANNON, Illinois.
C. BASCOM SLEMP, Virginia.
JAMES F. BYRNES, South Carolina
JOHN M. EVANS, Montana.

MARCELLUS C. SHEILD, *Clerk*.

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APPROPRIATIONS FOR FEDERAL CONTROL OF TRANSPORTATION SYSTEMS AND CERTAIN URGENT DEFICIENCIES FOR 1920.

HEARINGS CONDUCTED BY THE SUBCOMMITTEE, MESSRS. JAMES W. GOOD (CHAIRMAN), JOSEPH G. CANNON, C. BASCOM SLEMP, JAMES F. BYRNES (S. C.), AND JOHN M. EVANS, OF THE COMMITTEE ON APPROPRIATIONS, HOUSE OF REPRESENTATIVES, IN CHARGE OF DEFICIENCIES FOR THE FISCAL YEAR 1920 AND FOR PRIOR YEARS.

SATURDAY, APRIL 10, 1920.

DISTRICT OF COLUMBIA.

STATEMENTS OF MR. LOUIS BROWNLOW, PRESIDENT, LIEUT. COL. CHARLES W. KUTZ, ENGINEER COMMISSIONER, MR. DANIEL J. DONOVAN, AUDITOR, AND MR. DANIEL E. GARGES, SECRETARY, AND MR. STEPHEN E. KRAMER, ASSISTANT SUPERINTENDENT OF SCHOOLS.

PUBLIC SCHOOLS, LONGEVITY PAY.

The CHAIRMAN. You are asking a deficiency appropriation of $46,000 for longevity pay for the director of intermediate instruction, supervising principals, supervisors, assistant supervisor of manual training, principals of Normal High and Manual Training High School, etc. You had an appropriation of $450,000 for longevity pay for the current year. What is the state of your balances?

Mr. DONOVAN. The present balance is $106,290.

The CHAIRMAN. Have you computed just what the longevity pay will be for the teachers for the balance of this year?

Mr. DONOVAN. That computation, I understand, has been made by the board of education. These estimates are submitted by the board of education, and Mr. Kramer is here.

Mr. KRAMER. I am very pleased to place in the record a computation of the entire year's longevity.

(The statement is as follows:)

Mr. E. L. THURSTON,
Superintendent of Schools, Washington, D. C.

DEAR SIR: I have the honor to recommend that the board of education request the Commissioners of the District of Columbia to insert the following item in the deficiency estimates for the District of Columbia:

"Public schools: For longevity pay, including the same objects specified under this head in the District of Columbia appropriation act for the fiscal year 1920, $46,735."

The appropriation act for the fiscal year ending June 30, 1920, provides $450,000 for longevity pay. The amount required for this purpose during the fiscal year ending June 30, 1920, will be $496,735. The deficiency in this appropriation is $46,735.

The following detailed statement is based upon the pay roll for the month of June, 1919, adjusted as of September 1, 1919:

Supervising principals, at $2,200:		
13 at $500 per annum	$6,500	
1 at $300 per annum	300	
1 at $100 per annum	100	
		$6,900
Principals, at $3,000, 1 at $100 per annum		100
Assistant principals, at $1,800:		
1 at $500 per annum	500	
1 at $300 per annum	300	
		800
Directors, at $1,500:		
5 at $500 per annum	2,500	
1 at $400 per annum	400	
1 at $300 per annum	300	
		3,200
Assistant directors, at $1,400; 1 at $250 per annum		250
Assistant directors, at $1,300:		
4 at $250 per annum	1,000	
1 at $150 per annum	150	
1 at $100 per annum	100	
		1,250
Assistant supervisors, at $1,300; 1 at $150 per annum		150
Heads of departments, Class VI-B:		
10 at $300 per annum	3,000	
1 at $200 per annum	200	
1 at $100 per annum	100	
		3,300
Teachers, Class VI-B:		
14 at $300 per annum	4,200	
6 at $100 per annum	600	
		4,800
Principals and teachers, Class VI-A:		
228 at $800 per annum	182,400	
10 at $700 per annum	7,000	
5 at $600 per annum	3,000	
14 at $500 per annum	7,000	
18 at $400 per annum	7,200	
16 at $300 per annum	4,800	
9 at $200 per annum	1,800	
6 at $100 per annum	600	
		213,800
Teachers, Class V:		
92 at $400 per annum	36,800	
4 at $320 per annum	1,280	
6 at $280 per annum	1,680	
5 at $240 per annum	1,200	
11 at $200 per annum	2,200	
2 at $120 per annum	240	
4 at $80 per annum	320	
3 at $40 per annum	120	
		43,840
Teachers, Class IV:		
264, at $300 per annum	79,200	
22, at $270 per annum	5,940	
42, at $240 per annum	10,080	
41, at $210 per annum	8,610	
47, at $180 per annum	8,460	
20, at $150 per annum	3,000	
17, at $120 per annum	2,040	
9, at $90 per annum	810	
13, at $60 per annum	780	
3, at $30 per annum	90	
		119,010

Teachers, Class III:		
133, at $250 per annum	$33,250	
11, at $225 per annum	2,475	
24, at $200 per annum	4,800	
17, at $175 per annum	2,975	
32, at $150 per annum	4,800	
54, at $125 per annum	6,750	
39, at $100 per annum	3,900	
39, at $75 per annum	2,925	
79, at $50 per annum	3,950	
69, at $25 per annum	1,725	
		$67,550
Teachers, Class II:		
140, at $100 per annum	14,000	
36, at $75 per annum	2,700	
88, at $50 per annum	4,400	
85, at $25 per annum	2,125	
		23,225
Teachers, Class I:		
28, at $100 per annum	2,800	
12, at $75 per annum	900	
25, at $50 per annum	1,250	
18, at $25 per annum	450	
		5,400
Librarians, Class V:		
2, at $320 per annum	640	
2, at $280 per annum	560	
2, at $120 per annum	240	
1, at $80 per annum	80	
2, at $40 per annum	80	
		1,600
Clerks, class IV:		
1, at $300 per annum	300	
1, at $150 per annum	150	
12, at $60 per annum	720	
13, at $30 per annum	390	
		1,560
Grand total		496,735

Employees now holding or hereafter to be appointed to the following positions will not be entitled to longevity pay during the fiscal year ending June 30, 1920, with the exception of such employees who are assigned to group A of class 6 and may be granted longevity placing for previous teaching experiences by the boards of examiners:

Supervising principals, at $2,200	1
Teachers:	
Class VI-A	28
Class V	9
Class IV	20
Class III	46
Class II	15
Class I	7
Librarians, Class V	1
Clerks, Class IV	3

There will be some variation from the figures above given in the detailed statement, but the amount of money gained through resignations and other changes by which longevity allowances are reduced will be required to provide for longevity placings of teachers assigned to group A of Class VI.

Very respectfully,

——— ———,
Chief Accountant.

The CHAIRMAN. If you have a balance of $106,290, it would seem that that is just a little less, perhaps, than would be required for the rest of the year. If you have paid the longevity up to the 1st of April, you only have 90 days to run, and for the other three quarters you have spent $350,000. How does it happen that there is a deficit?

Mr. DONOVAN. On the nearest actual computation that we can make there will be at least $41,000 or $42,000 required. Of course, this appropriation varies considerably. It is impracticable to definitely ascertain the actual amount that will be required in a year because of the variations in the salaries of teachers within the year, but the very closest calculation we can make is about $41,000 or $42,000. This estimate of $46,000 was made about three months ago.

Col. KUTZ. Mr. Chairman, is not your question answered by the fact that payments to the school teachers are made in 10 installments instead of 12?

The CHAIRMAN. I am not familiar with that, and that is what I am trying to find out. You had $450,000, and dividing that into quarters would mean about $112,000 for each quarter. You have one quarter remaining and a balance of $106,290, or approximately within $6,000 of the amount that would be required, if it falls logically into those divisions. What I was trying to find out was whether or not the last quarter required larger payments than the others.

Col. KUTZ. The allotment for the last quarter ought to be three times as large as the first, because there are no payments made to school teachers in July and August.

Mr. KRAMER. It is a 10 months payment, practically.

The CHAIRMAN. If that is true, then your big payments would fall in the first quarter, because that is when you would have to pay it.

Mr. BROWNLOW. No, sir; July and August are not paid at all. There is a payment for only one month in the first quarter of the fiscal year, September.

The CHAIRMAN. So the first quarter of the year you would only pay one month?

Mr. BROWNLOW. Yes, sir; then the other three quarters are full quarters.

Mr. DONOVAN. So we state it in this way: So far $350,000 has been expended, in round figures. The appropriation is $450,000, and we have expended during seven months $350,000 in round figures, which means an average of $50,000 a month, and for 10 months that would be $500,000, 10 months constituting a school year, so that on that basis we would need an additional $50,000 if we took in round figures the average for the past seven months' expenditures for longevity pay.

The CHAIRMAN. In order that we may have our minds refreshed on this matter of longevity pay, just state what is the provision of law with regard to longevity pay.

Mr. KRAMER. Longevity pay is a service pay given to the teachers for years of service after their appointment in the school year for certain periods. For practically all of the teachers they get a sum per year for 10 years; that is, a teacher who has been in the service 10 years is getting basic pay plus 10 years of service pay.

The CHAIRMAN. What are the rates of longevity pay?

Mr. KRAMER. We have in the elementary schools five classes of salaries. In classes 1 and 2, there is a longevity increment of $25 per year for four years; in class 3, there is a longevity increment of $25 per year for 10 years; in class 4, there is a longevity increment of $30 a year for 10 years; in class 5, there is a longevity increment of $40 a year for 10 years; in class 6–a, which is the high school salary, there is $100 a year given for eight years, making a total, as you see, of

$800 to the teacher who has been in the service eight years; in class 6–b, which is the class of superior teachers promoted for superior ability, a very small class, 28 in all under the present law, there is an increment of $100 a year for three years. This means that a teacher in the first and second grades gets $860 plus $100, or $960 a year at her maximum, and $200 added to $860 in class 3, making $1,110 for the maximum.

The CHAIRMAN. We only intend to carry in this bill money that it is absolutely necessary to have appropriated now, leaving for the deficiency bill at the end of the year the things of this kind where the departments have money enough to carry them on. It is now April 10 and you have $106,000 and your normal payments are around $45,000 or $50,000 a month, so you are not in the class at all where they must have some ready cash.

Mr. KRAMER. But the schools will close about the 21st of June and the pay rolls will be drawn up, and if the money is not in hand, then there are 2,000 teachers——

The CHAIRMAN (interposing). We hope to have our final deficiency bill around June 1, and you are not going to pay the longevity pay until the close of the schools?

Mr. KRAMER. That is correct.

The CHAIRMAN. Therefore, while we can have the hearings on this item now, it should properly be carried in the final deficiency bill.

Mr. KRAMER. You can very readily recognize, Mr. Good, however, the anxiety that the school officials would have in regard to this item of appropriation, since it involves so much to the teachers, and it happened last year that there was a delay in the last deficiency bill and our teachers faced the summer, some of them, with their salaries very heavily depleted. Take the case of a high-school teacher who has served eight years, her salary in round numbers is $1,800, or $1,860 to be exact, and if by any jam in legislation this money was not in hand, that high-school teacher would face not a check of $186 but a check of $106, a check almost cut in half, and the salaries are not so big that these people have a very large working limit.

Now, they go away for the summer; some to work and some, who are fortunate enough, for recuperation and study, and it was a very disastrous thing to us. It was a very unhappy thing.

The CHAIRMAN. If you have the money before your schools close, that will be all you want?

Mr. KRAMER. Yes, sir.

The CHAIRMAN. You have enough to pay them except for the last month?

Mr. KRAMER. That is correct; yes, sir.

The CHAIRMAN. When will you know exactly how much you will need for the last month?

Mr. KRAMER. I will have to ask the auditor about that.

Mr. DONOVAN. We would not know exactly until about the first of June.

The CHAIRMAN. You would know at that time exactly how much you would need, and you have enough money now to carry you until the 1st of June?

Mr. DONOVAN. On the basis of the present monthly average expenditure for longevity; yes, sir; although it is estimated by the board of education that we will not have enough to carry us through May.

The CHAIRMAN. This matter is fully set forth in this statement?

Mr. KRAMER. That shows the longevity for the year, and it showed the detailed computation upon which the sum is fixed upon which we base our request for the longevity amount. Our anxiety to have this money is because it is really a very serious thing to those teachers.

ZONING COMMISSION.

The CHAIRMAN. You ask $5,000—

For carrying into effect the provisions of an act of Congress, entitled "An act to regulate the height, area, and use of buildings in the District of Columbia and to create a zoning commission, and for other purposes," approved March 2, 1920, including the employment of expert services and for necessary incidental expenses, to remain available until expended.

This is a new function thrown upon the District Commissioners?

Col. KUTZ. Yes, sir. The zoning commission was created by special act of Congress signed by the President on March 1, of this year. The act requires that the District of Columbia shall be zoned, and that the rules and regulations shall be promulgated within six months after the date of the approval of the act. This six months' period will expire September 1, 1920. The legislation authorizes an appropriation of $5,000, and we feel that all of it will be needed. The zoning of the city of Yonkers, N. Y., containing 100,000 inhabitants cost $16,000, and the appropriation authorized for the zoning of Washington, with its 437,000 people, is less than one-third of that amount.

The CHAIRMAN. What do you mean by the zoning of Washington?

Col. KUTZ. It is a device to prevent the encroachment of business houses and manufacturing enterprises upon residential districts and to protect business areas from the encroachment of undesirable manufacturing enterprises. In addition to the use of buildings it also regulates the height of buildings and the area of lots that may be occupied by buildings.

The CHAIRMAN. You will not have any difficulty with regard to manufacturing concerns encroaching upon anything in Washington?

Col. KUTZ. Here it is largely for the protection of residential areas.

The CHAIRMAN. Do you think that it will cost $5,000?

Col. KUTZ. Yes, sir. I wish that the appropriation authorized had been even greater, because the cost of the maps on which the zones will be delineated will be very large at the present price of map reproduction.

The CHAIRMAN. How much personnel will you have, and at what rates of pay?

Col. KUTZ. Most of the personnel will be District employees. We are authorized by the legislation to temporarily use District employees We expect out of this $5,000 to pay approximately $1,000 for clerical services and about $2,000 for expert services.

The CHAIRMAN. What kind of experts would you get?

Col. KUTZ. We want to have advice from an individual who has experience in zoning elsewhere. We have had an application from a man who has been connected with the New York City Zoning Commission for the last eight years and who is now engaged in zoning Yonkers. He made a proposition to do what we wanted to have done for $4,000, which is twice the amount we expect to expend for

expert services. We are in conference with the man who zoned the city of St. Louis, and we may be able to secure his services. We are also in conference with the man whose zoning work has been largely on the Pacific coast, at Los Angeles and Berkeley, Calif., and Portland, Oreg. I feel that for $2,000 we will be able to obtain competent advice, but nothing in the way of supervisory work.

The CHAIRMAN. Now, is this a desirable thing?

Col. KUTZ. It is very desirable and the Capital City has not kept pace with other cities of the country in that respect. New York City established its zoning regulations in 1916, and St. Louis established hers in 1918. Portland, Oreg., recently adopted zoning regulations, and Pittsburgh, Pa., Newark, N. J., Yonkers, N. Y., and White Plains, N. Y., are now being zoned. Massachusetts modified the constitution of the State in order to permit the cities to zone. Pennsylvania passed an enabling act to permit cities of the first and second classes to establish zoning regulations, and under it Philadelphia recently adopted zoning regulations for the parkway leading from the City Hall to Fairmount Park, and has under consideration the adoption of regulations for the entire city.

The CHAIRMAN. In Washington does not the Fine Arts Commission function in large measure with regard to the height of buildings, etc.?

Col. KUTZ. The Fine Arts Commission functions only with regard to public buildings. The commissioners have no power under the existing law to establish zoning regulations that would prevent the establishment of a grocery store in the midst of a residential block.

Mr. EVANS. What is necessary to put these zoning regulations into effect after you adopt them?

Col. KUTZ. After the regulations are adopted they must be advertised for a given period of time. They do not require legislative approval. The commission that was created is composed of five members, the three Commissioners of the District of Columbia, the Superintendent of the Capitol Building and Grounds and the Superintendent of Public Buildings and Grounds, so as to have Federal representation on the commission. We feel that it is even more important to preserve Washington as the Capital City than to preserve it as a place of residence for 400,000 people.

ST. ELIZABETHS HOSPITAL, CARE OF THE INSANE.

The CHAIRMAN. You are asking $350,000 for St. Elizabeths Hospital?

Mr. BROWNLOW. We had an appropriation of $500,000 for that purpose, all of which has been paid out, and we are now in arrears $150,000. We have a letter from the administrative assistant to the superintendent of the hospital dated March 26, in which he says:

> We desire to call your attention especially at this time to the fact that this hospital will require the funds earned on account of the care of the District patients in order to meet their pay roll and pay for their food and supplies. This is a very urgent matter and should receive your prompt attention, and we respectfully request that it be brought to the attention of the Appropriations Committee in Congress in order that the necessary deficiency be passed. Otherwise it is very much feared that a hardship might ensue and it would be difficult to get adequate supplies and help for the feeding and care of our patients.

I also have a letter from the Assistant Secretary of the Interior, which I submit for the record without reading.

The letter referred to is as follows:

DEPARTMENT OF THE INTERIOR,
Washington, March 27, 1920.

The COMMISSIONERS OF THE DISTRICT OF COLUMBIA.

DEAR SIRS: I transmit herewith a copy of a letter from the administrative assistant to the superintendent of St. Elizabeths Hospital, wherein attention is called to the fact that in all likelihood the present appropriations of $500,000, for the support of the insane of the District of Columbia, will not be sufficient to provide for all the indigent patients admitted to that institution from the District up to June 30, 1920, and that there will probably be a deficiency of $350,000. I have, therefore, to suggest that the matter be immediately brought to the attention of Congress with a view to securing a deficiency appropriation in the amount stated, so it may be in time to reimburse the hospital without unnecessary delay and enable it to liquidate bills that must be incurred on account of such service prior to June 30, 1920.

I will appreciate early advice as to your action hereon.

Cordially, yours,

S. G. HOPKINS.
Assistant Secretary.

The CHAIRMAN. Have you had an increased number of patients at the hospital this year over last year?

Mr. BROWNLOW. Very slightly; but the per annum rate for patients was increased from $299.30 to $532.90. That increase was made on August 1 of last year. The Secretary of the Interior is required by law to fix the per annum rate for District patients in accordance with the cost, and the commissioners can not control the amount of the expenditure. We have a few over 1,600 District patients in the institution.

The CHAIRMAN. You are paying now how much per annum?

Mr. BROWNLOW. The per capita rate is $532.90 a year. Our estimate for this purpose for the next fiscal year is $865,000.

The CHAIRMAN. You are spending now at the rate of about $72,000 per month for this service?

Mr. BROWNLOW. Yes, sir. We have been paying this new rate since the 1st of August. We had the old rate for the first part of the fiscal year.

NUMBER OF DISTRICT PATIENTS.

The CHAIRMAN. How many District patients are there at St. Elizabeths?

Mr. BROWNLOW. We have a few more than 1,600. The number is between 1,600 and 1,700.

The CHAIRMAN. Has that been about the normal number that you have had treated there?

Mr. BROWNLOW. We have had an increase of about 200 in the last three years. The increase was marked about the time of the beginning of the war, but since that time, the increase has not been in ratio with the increase in the population. Of course, there is a continual increase.

The CHAIRMAN. All the insane from the District of Columbia are sent to St. Elizabeths?

Mr. BROWNLOW. Yes, sir; all of the insane from the District.

The CHAIRMAN. Does the District Government receive anything from the families of persons who are committed to St. Elizabeths where they can afford to make payment for their care and support?

Mr. BROWNLOW. Yes, sir; payment is made for those who are not indigent.

The CHAIRMAN. Are all these 1,600 indigent?

Mr. BROWNLOW. They are indigent cases for which we must make payment.

The CHAIRMAN. Where they are not indigent, and can pay their own expenses, do you collect the money?

Mr. BROWNLOW. Yes, sir; we collect the money, but it does not go to the credit of the appropriation. We have to make payment to the institution in every case, and any payments we collect from the families go to the Treasury. It is not credited to this specific appropriation.

The CHAIRMAN. How many of the persons committed to St. Elizabeths from the District of Columbia are able to pay for their own care and support?

Mr. BROWNLOW. It is a very small proportion; less than 6 per cent

The CHAIRMAN. Are you not too liberal there with regard to the matter of investigations to determine whether, or not, persons are committed there who can pay for their own care and support? If you have between 1,600 and 1,700 people there and only a small percentage of them can pay for their own care and support, the impression that a person would naturally get would be that you are not looking carefully into that phase of the matter to see whether, or not, such persons are really able to pay for their own care and support?

Mr. BROWNLOW. The majority of insane patients from the District of Columbia whose families are able to pay for their support are sent to other sanitariums, or to private sanitariums located elsewhere, and not to St. Elizabeths, or, if they are committed to St. Elizabeths, they are transferred somewhere else. We have had a great deal of trouble in collecting it, since the per capita was increased.

The CHAIRMAN. What proportion of the insane of the District of Columbia are white and what proportion colored?

Mr. BROWNLOW. On February 29, 1920, there were 1,150 white and 605 colored patients.

The CHAIRMAN. It seems to me that between 1,600 and 1,700 insane from a population of 400,000 is a pretty large percentage.

Mr. BROWNLOW. Our percentage of insane in the District of Columbia for years has been greater than that of any city of like size. That condition is due, as I am informed by alienists and other people who have made a study of it, very largely to the fact that this is the capital of the country. We have a great many insane people who are picked up about the departments. The Patent Office is a fruitful source for that. Persons who are not exactly insane come here, thinking that they have a mechanical device that will make a fortune, and they stay here for two or three years and acquire residence. Then, if they become insane, and many of them do, they must be committed from the District of Columbia.

The CHAIRMAN. Are you sure that all of these people have acquired residence here?

Mr. BROWNLOW. Yes, sir.

The CHAIRMAN. Ought not some of them to be sent back to the States from which they came?

Mr. BROWNLOW. Some of them are sent back to the States, and we have an appropriation for sending them back. We send them back wherever it is possible. We are exceedingly careful wherever it is possible to establish their residence in some of the States to

send them back to the States from which they came, but where they have been here for a considerable length of time we can not do that.

The CHAIRMAN. As I understand it, you have spent all of your $500,000 appropriation, and you owe bills as of the 1st of April amounting to $150,000?

Mr. BROWNLOW. Yes, sir.

Mr. DONOVAN. That includes up to the present time. It will be about $150,000.

REPAIRS TO SUBURBAN ROADS.

Col. KUTZ. In connection with the item for repairs to suburban roads, I want to say that we submitted an estimate of $75,000, bnt when we submitted it we hoped that the appropriation would be made prior to this time. At the present rate of progress we will need $65,000 instead of $75,000. We hoped that $75,000 would be made available by the 1st of April.

The CHAIRMAN. How much have you of your appropriation of $200,000?

Col. KUTZ. $10,900 on the 1st of April. Our labor pay roll is $5,000 per week, so that the appropriation will be completely exhausted within a week or 10 days.

The CHAIRMAN. If you did not use this money on suburban roads, you could employ the labor on streets and other work?

Col. KUTZ. We could use the labor, but we could not use it on suburban roads.

The CHAIRMAN. What roads in particular do you propose to repair out of this appropriation?

Col. KUTZ. All of the roads outside of the old boundaries of the cities of Georgetown and Washington, except those that are paved with asphalt. All of them are maintained out of this particular appropriation. The mileage is about 300 miles.

The CHAIRMAN. What are those roads constructed of?

Col. KUTZ. They are principally waterbound macadam roads.

Mr. BROWNLOW. This is for the ordinary upkeep and repair of roads, and not for major repairs or rebuilding of roads.

Col. KUTZ. It is for patching them. It is not a question of keeping the force employed because the force can be transferred to other work, or they could secure employment elsewhere; but we want to keep the roadway system of the District in usable shape. In fact, we feel that there is an obligation upon us to keep the roads in, at least, a safe condition. When holes occur, they must be repaired, or the District is liable to damage suits. On some of the roads we have not done any more than to keep them safe. For instance, we have not kept Connecticut Avenue in the shape that it should have been kept, but it has received a full share of the very limited fund that we have at our disposal. This last winter was very hard on waterbound macadam roads. It was an unusual winter for Washington.

ADVERTISING TAX ARREARS.

Mr. BROWNLOW. There is one small item that I did not mention awhile ago, and that is for the additional amount required for advertising notice of taxes in arrears. The estimate submitted was $2,250. Now, it has been actually ascertained to be $2,295.16, that being the

balance of bills we can not pay the printer. The printer represents that his financial condition is such that he is very desirous of getting that money, and we actually owe it. It was with some difficulty that we got him to accept a contract to print the advertisements, which must be published for tax sales at a certain time, when he knew that he would have to wait for a portion of the amount.

The CHAIRMAN. How are these advertisements printed?

Mr. BROWNLOW. They are printed in book form.

The CHAIRMAN. How are they distributed?

Mr. BROWNLOW. They are distributed to anyone that desires them. It is reimbursable, because a charge of 50 cents is made for each piece of property advertised, which a great deal more than reimburses the total amount, but of course that goes into the Treasury and can not be used.

The CHAIRMAN. You had for this purpose an appropriation of $2,500. Was that about the amount usually appropriated for the purpose?

Mr. BROWNLOW. That has been the amount for some years back.

The CHAIRMAN. Why does it cost so much more?

Mr. BROWNLOW. The materially increased size of the book and the material increase in the cost of the work.

The CHAIRMAN. That is an ascertained deficiency?

Mr. BROWNLOW. Yes, sir; and one which the printer tells me he needs very much on account of his financial condition. He does not have a very large shop.

SEWAGE PUMPING SERVICE.

Col. KUTZ. The two sewer items I feel should be acted on at this time, particularly, the sewage pumping station item. On April 1 we had a balance of $11,500.

The CHAIRMAN. How much of an appropriation did you have?

Col. KUTZ. We had an appropriation of $75,000. A very large part of that cost is coal. The coal bill for the present year is estimated at $44,000.

The CHAIRMAN. How much do you feel you will need for the rest of this year?

Col. KUTZ. $15,000.

The CHAIRMAN. Do you think you will need all of that?

Col. KUTZ. Yes, sir.

The CHAIRMAN. Have you paid all of your coal bills?

Col. KUTZ. I do not know the status of the coal bills, but I know the payment is delayed.

Mr. DONOVAN. We have not paid the coal bills for the month of March and I doubt very much whether we have received them from the Government coal yards.

The CHAIRMAN. How much coal do you use at this pumping plant?

Col. KUTZ. $44,000 is the cost for the year.

The CHAIRMAN. Is that practically evenly divided?

Col. KUTZ. Yes; at the sewage pumping station there is very little change from month to month.

Mr. BROWNLOW. There will be an increase in the cost of coal next month, which we will have to pay.

The CHAIRMAN. The other matters are not urgent?

Mr. BROWNLOW. No; they can go over for the present.

SATURDAY, APRIL 10, 1920.

EMPLOYEES COMPENSATION COMMISSION.

STATEMENT OF MR. CHARLES H. VERRILL.

PRINTING AND BINDING.

The CHAIRMAN. Mr. Verrill, you are asking for a deficiency of $1,200 for printing and binding. Will that run you for the balance of the year?

Mr. VERRILL. It will; yes, sir.

The CHAIRMAN. You had an appropriation of $7,500; is that all exhausted?

Mr. VERRILL. Yes, sir; that is all exhausted and there is a deficiency of $733 now.

The CHAIRMAN. What is the nature of your printing and binding?

Mr. VERRILL. The nature of our printing and binding is principally the forms which are used in the work and which the commission is obliged by law to furnish all the departments and bureaus. The important special printing other than forms which we have had during the year includes this pamphlet of regulations which is intended to go to every department, bureau, and important official superior, and this annual report.

The excuse for the deficiency is the fact that these two publications, where we thought we had a pretty good idea of the cost and where we had estimates, before we went ahead with the printing, cost a good deal more than we believed they would cost and a good deal more than the estimates. The explanation of the Public Printer, when we raised the question with him, thinking perhaps an error had been made, was that the cost of paper was something that he could not control, because he had not been able to make any contracts for paper; that he had to go into the open market and make his purchases when he had to have the paper, and that it cost more than he had believed it would cost. In the case of this one job, he said, the paper had cost $600, approximately, more than he had estimated, and that that was a matter that was absolutely unforeseen and beyond his control.

The CHAIRMAN. Have you a pretty good supply now of the forms you furnish to injured employees?

Mr. VERRILL. I think we have a supply that will probably carry us to June 30, but the supply is below normal and below what is a safe margin. I mean by a safe margin, we need to have enough, of course, to anticipate needs until an order can be filled after July 1, and it sometimes takes a month or six weeks to get these orders filled.

The CHAIRMAN. You have now an actual deficiency on account of those publications and forms of $733.23.

Mr. VERRILL. Yes, sir.

The CHAIRMAN. What do you need additional funds for?

Mr. VERRILL. We need the additional funds for the miscellaneous printing; that is the printing of office and other forms that reach a dangerously narrow margin of supply. There are occasionally a few new forms that we may have to print because we may wish to make

important changes in the old ones, and for the general supplies of printing like letterheads, checks, payrolls for compensation payments, etc., and minor blanks for office use.

The CHAIRMAN. How large an edition do you publish of your instructions?

Mr. VERRILL. We printed an edition of 100,000 of those and the supply left is no more, I believe, than sufficient to carry us to June 30.

The CHAIRMAN. Do you publish that annually?

Mr. VERRILL. No; we have printed it once before and merely reprinted it because the supply was exhausted, and because experience had shown us that we needed to make some revisions. We used about one-third of the old plates and the rest of it had to be new composition. Perhaps I ought to say that heretofore this leaflet [indicating] has been one of the things we printed largely in order that it might get into the hands of all employees, to briefly state to them their rights.

We printed about 15 months ago, perhaps, 1,000,000 of these, and we have reprinted, I think, 50,000. As the committee might not appreciate, it is difficult to make these employees understand their rights and what it is really necessary for them to do to claim their rights when they are injured. You would naturally say that the official superiors ought to take care of that, and so they should, because the law puts the obligation on them to do it, but they do not sometimes do it and that is especially true in establishments where accidents are not so very common. It has also been especially true in establishments of the War Department where officers were changing frequently and did not get very familiar with the work. This leaflet is one of the things which I failed to mention, which we need to keep a constant supply of.

SATURDAY, APRIL 10, 1920.

LIBRARY OF CONGRESS.

STATEMENT OF MR. HERBERT PUTNAM, LIBRARIAN.

DISTRIBUTION OF CARD INDEXES.

Mr. PUTNAM. Mr. Chairman, we are asking for a deficiency of $2,700 on account of our card service. That amount will be required to carry us through June. The business has increased between $7,000 and $8,000 this year.

The CHAIRMAN. How much do you want for the card service?

Mr. PUTNAM. The item is $2,700. We had to ask for a deficiency in that item last year also, simply to enable us to get through.

The CHAIRMAN. These cards are sold?

Mr. PUTNAM. Yes, sir; it is a self-supporting service. The margin will be greater this year than it was last year.

PRINTING AND BINDING.

The CHAIRMAN. How much are you asking for printing and binding?

Mr. PUTNAM. $63,000. That troubles me very much. The Government Printing Office thought we ought to ask for $72,000. Our

situation is such that on April 1 we had a balance of about $3,000. We are cutting down our printing to the minimum, the minimum being represented by the catalogue of title entries copyrighted and the printing of cards and forms.

The CHAIRMAN. $2,700 of that is for the cards?

Mr. PUTNAM. That is for service.

The CHAIRMAN. For labor?

Mr. PUTNAM. Yes, sir; that is for employees in the card section under $1,000.

The CHAIRMAN. Can you give us some idea of how this $63,000 would be allotted?

Mr. PUTNAM. Yes, sir; it would be allotted in part to printing the catalogue of titles and copyright entries. Between seven and eight thousand dollars of it would go for that. That is printed at intervals, periodically, and is compulsory under the law.

The CHAIRMAN. How many editions will you print during the rest of the year?

Mr. PUTNAM. That is printed in sections. Certain sections are printed semiweekly, some weekly, some monthly, and some quarterly. They vary according to whether they cover books, periodicals, music, maps, etc. Then there are forms that must be kept up, and the printing of these cards has to be kept up. Then, there is the repairing, mounting, etc., of maps, manuscripts, and prints.

The CHAIRMAN. Do you keep a current catalogue of books published?

Mr. PUTNAM. Of all books registered for copyright. That must be furnished to the Post Office Department and to the collectors at the ports in order to enable them to exclude foreign editions of those books which are not admitted to entry. That we must keep up. The forms have to be kept up for current use in the Library and copyright office. Those cards must be kept up, because that is a part of our current business, and we must meet the current demand. No other printing is done. For instance, the Journal of the Continental Congress has been suspended because we recognized the exigency. It would be impossible, of course, to cut off these minimum operations that I speak of, and it would be disastrous to suspend and disintegrate the force in the branch printing office and bindery, because our work requires people of special experience. It is difficult to reintegrate a force of that kind. The heaviest quarter of the year in the Government Printing Office with us is always the last quarter. We have gone on the assumption that the increase in the cost of materials and labor would only amount to about 8 per cent, but it has proved to be over 20 per cent. It is purely a question of cost. If it were a question of doing any additional work, of course, we would not submit it at all.

The CHAIRMAN. You believe you will need all of it?

Mr. PUTNAM. Yes, sir. It is the minimum amount with which we can keep this work going. It would be really disastrous to disintegrate the force in the branch printing office and bindery in the Library. It is special work, requiring people of special and continuing experience.

TREASURY DEPARTMENT.

SATURDAY, APRIL 10, 1920.

STATEMENT OF MR. F. F. WESTON, CHIEF DIVISION OF PRINTING AND STATIONERY, TREASURY DEPARTMENT.

PRINTING AND BINDING.

The CHAIRMAN. You are asking a deficiency of $400,000 for printing for the Treasury Department?

Mr. WESTON. $250,000 is a deficiency and $150,000 is for the purpose of restoring the forms destroyed by fire on March 24.

The CHAIRMAN. It is all a deficiency?

Mr. WESTON. Yes, sir; in that way it is.

The CHAIRMAN. What forms were destroyed by fire?

Mr. WESTON. Well only two or three lots were destroyed entirely, but a large portion of a great many different forms were destroyed. The Treasury Department has about 13,000 different forms all together.

The CHAIRMAN. How did you arrive at the value of what was destroyed by fire?

Mr. WESTON. Well, it was estimated in bulk, as there was great confusion caused by the fire; figures were made on each lot as they lay along on the shelves and on the floor piled up next to the outer wall. There was a long pile there about 4 feet wide and 6 or 7 feet high and nearly 100 feet long; two-thirds the length of that long pile had just beeen delivered and was destroyed. Public health forms, for the most part, made up that pile. I went all over the figures on this matter again yesterday, Mr. Chairman, and a total of $386,000 is the least that will restore the loss occasioned by the fire and provide for printing during the remainder of the fiscal year.

The CHAIRMAN. How does it happen that it is growing so fast, because that is as much as you had in 1915 all told?

Mr. WESTON. There is more business than ever, Mr. Chairman, and the printing also costs more by reason of several factors, one of which is the increased compensation granted by Congress to employees of the Government Printing Office last August; that made an increase at that time of 10 per cent in the charges of the Government Printing Office, and the mounting costs of paper as well as other materials at the Government Printing Office have added to that. Then there is generally a much larger business by the Treasury in practically all of its bureaus.

The CHAIRMAN. Have you divided this estimate by bureaus?

Mr. WESTON. No, sir; I have not divided it by bureaus

The CHAIRMAN. Can you do it?

Mr. WESTON. Yes, sir; it can be taken off the books in that way.

The CHAIRMAN. I wish you would do that and put such a statement in the record.

Estimates, by bureaus of the Treasury Department, of the cost of printing and binding required for April, May, and June, 1920.

	Estimate.
Division of Appointments	$1,250
Division of Bookkeeping and Warrants	11,100
Division of Customs	1,590
Division of Public Moneys	380
Division of Printing and Stationery	370
Division of Loans and Currency	560
Division of Secret Service	360
Division of Mail and Files	70
Government actuary	200
Section of Surety Bonds	150
Federal Farm Loan Bureau	2,210
Comptroller of the Treasury	2,320
Comptroller of the Currency	8,200
Auditor for the Treasury Department	1,350
Auditor for the War Department	1,910
Auditor for the Interior Department	190
Auditor for the Navy Department	2,210
Auditor for the State and other departments	160
Auditor for the Post Office Department	2,280
Treasurer of the United States	4,340
Register of the Treasury	250
Commissioner of Internal Revenue	6,125
Bureau of Engraving and Printing	3,400
Supervising Architect	5,180
Director of the Mint	1,290
Surgeon General, Public Health Service	74,700
Coast Guard Headquarters	430
Miscellaneous	18,000
Customs Service	21,000
Independent Treasury Service	2,130
National-bank depositaries	4,090
Public Health Service	2,700
Coast Guard	3,880
Internal Revenue Service	44,000
Mints and assay offices	1,220
Custodians, etc., of public buildings	1,410
General Supply Committee	5,580
Total	236,585
Estimated cost of replacement of printed forms and books destroyed by fire	150,000
Total	386,585

Mr. WESTON. I can give you a total which shows that in nine months of this fiscal year the total cost of the printing for the Treasury Department was about $200,000 more than it was for the whole 12 months of last year.

The CHAIRMAN. You have no funds now?

Mr. WESTON. Not a dollar; our printing has stopped.

The CHAIRMAN. You have suspended some publications?

Mr. WESTON. We have suspended all of them.

The CHAIRMAN. When?

Mr. WESTON. On the 1st of April. We make monthly requisitions for publications, that is, dailies, weeklies, and monthlies; we make requisitions each month for those, and requisitions that were sent down on the 1st of April were returned by the Public Printer marked "no funds."

The CHAIRMAN. Are there any of these publications that could be permanently suspended?

Mr. WESTON. We do not think so and the Joint Committee on Printing does not think so; we made a report to them, under section 11 of the legislative bill last year, and they passed all of the publications for continuance.

The CHAIRMAN. How many publications have you?

Mr. WESTON. About 16.

The CHAIRMAN. Can you put in the record a list of the publications with the approximate annual cost of printing?

Mr. WESTON. Yes, sir.

Periodical publications of the Treasury Department.

	Cost per annum.
Financial Statement of the United States Government. (Monthly)	$279.17
Daily statement of the United States Treasury. (Each working day)	5,408.59
Reappraisement Circulars. (Weekly)	1,200.45
Appeals Pending Before United States Courts in Customs Cases. (Quarterly)	115.62
Caveat List of United States Registered Bonds. (Monthly)	155.83
Circulation Statement. (Monthly)	131.13
Treasury Decisions. (Weekly)	14,714.80
Statement of Paper Currency of Each Denomination Outstanding at the Close of Each Calendar Month. (Monthly)	31.15
Market Prices and Investment Values of Outstanding Securities. (Monthly)	391.05
Statement of National Bank Notes and Federal Reserve Notes Outstanding etc. (Monthly)	61.88
Abstract of Reports of Condition of National Banks. (Five times a year)	1,579.45
Decisions of the Comptroller of the Treasury. [(Monthly and quarterly (first three quarters of the fiscal year) and annually (embracing the first print of fourth quarter)]	5,341.87
Department Circular No. 1, "Values of Foreign Coins." (Quarterly)	49.10
Public Health Reports. (Weekly)	34,980.98
List of Publications Public Health Service. (Monthly)	281.27
Financial Statement of the Auditor for the Post Office Department. (Quarterly)	1,067.17
Borrowers' Bulletin, Federal Farm Loan Board. (Monthly)	2,892.40

The CHAIRMAN. This is the 10th day of April and your estimate was made some time in March. It is perfectly evident that it will take a few days to get this bill through.

Mr. WESTON. I hope it will not take very many days.

The CHAIRMAN. Well, it will take some little time, so, as far as your publications are concerned, you will not need the money for those publications when the publications are not issued, and your estimate could be cut down somewhat on that account.

Mr. WESTON. All of the copy is accumulating and will have to be printed. That is true of the daily statement of the financial situation of the Government, the weekly Treasury Decisions of the Department relating to customs and internal revenue, and the monthly statements. Those all have to be printed. We are making shift on forms as best we can by multigraphing, mimeographing, typewriting, borrowing, and going without—principally the latter on a good many of them.

FRIDAY, APRIL 9, 1920.

PUBLIC HEALTH SERVICE.

STATEMENTS OF DR. HUGH S. CUMMING, SURGEON GENERAL; DR. W. G. STIMPSON, ASSISTANT SURGEON GENERAL; DR. B. S. WARREN, ASSISTANT SURGEON GENERAL; DR. C. H. LAVINDER, SENIOR SURGEON, RESERVE; AND MR. M. LEVEN, STATISTICIAN.

CARE OF WAR RISK INSURANCE PATIENTS AND OTHER BENEFICIARIES.

The CHAIRMAN. Doctor, you are asking for a deficiency of $8,816,115 for the Public Health Service. You have had appropriations for this year, all told, of $9,500,000. What is the state of your balance at this time?

Dr. CUMMING. We submit this statement [indicating], Mr. Chairman. This statement shows, as of March 6, a balance of $823,696.11.

The CHAIRMAN. Do you mean that you had expended all of the appropriation of $9,500,000 up to March 6, except $823,696.11?

Dr. CUMMING. Yes, sir.

Dr. STIMPSON. That is after receiving the $3,500,000.

The CHAIRMAN. After you had received the $3,500,000?

Dr. STIMPSON. Yes, sir; we had a deficiency, and this is after we received it.

The CHAIRMAN. What is your monthly rate of expenditure?

Dr. STIMPSON. Taking the matter of maintenance, in July we spent $249,848.79; in October it had risen to $480,598.85; and in January it had risen to $745,974.69. Therefore, we estimate that for the four months of March, April, May, and June we will require $4,040,000. That is for maintenance. The yearly amount that we have to pay personnel as of March 1, 1920, is $9,299,368. In July we spent for personnel $186,424.46; in November we spent for personnel $413,231.25; and in January it had risen to $528,527.40. For the four months of March, April, May, and June we estimate for personnel $3,136,000.

The CHAIRMAN. Have you expended your whole appropriation under the heads of maintenance, personnel, travel, meals, etc.?

Dr. STIMPSON. No, sir; the names of the heads of the appropriation are given on page 3.

Dr. CUMMING. In connection with that and to somewhat explain the reason for it, we had these two tables [indicating] prepared showing the increased number of patients we are treating, including outpatients and hospital patients, and showing how the number has run up on us. We just submit these tables for the information of the committee.

The CHAIRMAN. You have tables that show by actual figures your increase in the number of patients?

Dr. CUMMING. Yes, sir.

Dr. STIMPSON. On page 3 we give you a somewhat itemized statement of what these appropriations provide.

The CHAIRMAN. Let us take up one page at the time. Take page 7 that you have referred to: You say that you do not divide your appropriation into the three parts, as shown on this table.

Dr. STIMPSON. That is only a part of it. Some of it is given on page 8. I will explain page 8, if you like.

The CHAIRMAN. Take, for instance, the month of March——

Dr. STIMPSON (interposing). On page 7?

The CHAIRMAN. Yes. You show a monthly expenditure out of the appropriations for pay of personnel, maintenance, etc., of $1,602,000.

Dr. STIMPSON. That is estimated, of course. March was not over at the time we prepared these figures.

The CHAIRMAN. For the month of February you show an expenditure of $1,451,000; is that estimated or is it an actual figure?

Dr. STIMPSON. The statistician is here, and will explain that. Was that an estimated or an actual expense that you put down here, Mr. Leven?

Mr. LEVEN. A part of it is estimated.

Dr. CUMMING. Some bills have not yet come in.

The CHAIRMAN. What is the last month for which you have the actual figures?

Mr. LEVEN. January.

The CHAIRMAN. In addition to the expenditures carried in that table, have you a table that shows the combined estimates for all services of the Public Health Service by months?

Dr. STIMPSON. For the hospital division or the whole service?

The CHAIRMAN. For the whole service.

Dr. STIMPSON. No, sir; not for the whole service.

The CHAIRMAN. This table is for the hospitals.

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. Have you any for the hospital division?

Dr. STIMPSON. Page 6 covers that, I think. We have not got it by months.

The CHAIRMAN. Can you prepare such a table?

Dr. STIMPSON. Yes, sir. On page 5 we have the statement for the months of March, April, May, and June.

The CHAIRMAN. On page 5 you have an estimate for the rest of the year, without any division by maintenance, personnel, etc.

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. I wish you would put in the record a statement of the expenditures by months under the divisions of maintenance, personnel, travel and meals, and all the other divisions in which you carry your expenditures on your books.

Dr. STIMPSON. Yes, sir; we will do so.

The CHAIRMAN. Where the expenditures are not actual but estimated, let that be shown by a note.

Dr. STIMPSON. Would you like to have that continued through the months of March, April, May, and June?

The CHAIRMAN. If you have made estimates for the rest of the year along the same line, you might show them for the rest of the year.

Dr. STIMPSON. We will do so.

The CHAIRMAN. If this is true, you are broke this minute?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. You have no money at all?

Dr. STIMPSON. We have no money under which to authorize expenditures at the present time.

The CHAIRMAN. Have you a table here showing the number of patients in the hospitals by months, showing in one column the contract patients and in the other the patients in Public Health hospitals?

Dr. STIMPSON. Yes, sir; we have here a table showing the patients in Government hospitals and in other hospitals.

Mr. CANNON. That means for Public Health Service hospitals, without speaking of any other hospitals?

Dr. STIMPSON. That is true.

The CHAIRMAN. Now, can you state the number of patients you had in the hospitals, commencing with the month of July?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. And showing the number you have had each month?

Dr. STIMPSON. Yes, sir.

Dr. CUMMING. We have that in the shape of a chart.

Mr. LEVEN. I have that information here.

The CHAIRMAN. Suppose you give it for the month of July. How many patients did you have in the Public Health Service hospitals in July?

Mr. LEVEN. We furnished 110,839 relief days.

The CHAIRMAN. What do you mean by that?

Mr. LEVEN. During the month we furnished that many hospital days. That is a better measure than the number of patients, because the number of patients from day to day and from week to week would vary.

The CHAIRMAN. How much is that on an average, or what was the average number of patients?

Mr. LEVEN. Three thousand five hundred and seventy-five per day.

Dr. STIMPSON. That is what we had to pay for. We had patients in the hospitals amounting to 110,839 days for the whole month. Of course, some of them are coming in and some are going out, but that is the number of days that the patients stayed in the hospitals.

The CHAIRMAN. Then, if you are paying $2 per day for each patient, you would have to pay $2 multiplied by 110,000?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. Does that include the patients that were in contract hospitals?

Mr. LEVEN. There were 148,561 relief days in all hospitals in July.

The CHAIRMAN. I wish you would put in the record a table that would show a person who is not familiar with your method of bookkeeping what is meant by the classes. I would not know what was meant by this first class, but I understand that is your designation for your own hospitals. Now, I would like for you to put in the record a table showing for each month so far the number of patients in the Public Health hospitals, the number in the contract hospitals, the number of patients treated altogether, and the average cost in the Public Health hospitals, and the contract price in the places where you have contracted for hospital service.

Dr. STIMPSON. I will do so.

Average number of patients treated daily, hospital division, United States Public Health Service, fiscal year ending June 30, 1920.

Month.	All cases (including war risk insurance).					War risk insurance cases.				
			Relief stations.							
	All.	United States Marine hospitals.	United States Public Health Service hospitals.	118 original stations.	Other contract stations.	All.	United States Marine hospitals.	United States Public Health Service hospitals.	118 original stations.	Other contract stations.
July	4,802	1,794	1,791	360	857	3,235	770	1,466	170	829
August	5,847	1,784	2,246	444	1,373	4,299	808	1,928	220	1,343
September	6,910	1,814	2,904	490	1,702	5,114	789	2,414	241	1,670
October	8,234	1,822	3,564	572	2,276	5,782	757	2,884	313	1,828
November	9,156	1,867	4,272	557	2,460	7,058	756	3,548	301	2,453
December	10,167	1,922	4,201	571	3,473	8,039	783	3,483	311	3,462
January	12,419	2,108	5,239	722	4,350	9,641	855	4,032	417	4,337
February	13,770	2,264	5,634	738	5,134	10,960	903	4,578	363	5,116
March	14,200	2,270	5,820	720	5,390	11,230	890	4,730	350	5,260
April	16,000	2,560	6,560	800	6,080	12,600	1,010	5,290	380	5,920
May	16,780	2,690	6,880	840	6,370	13,200	1,060	5,540	400	6,200
June	18,500	2,960	7,580	920	7,040	14,670	1,180	6,160	440	6,890

[1] Originally paid from appropriation "Care of seamen."

NOTE.—Approximate figures are used for months of March to June, inclusive. (Estimates based on actual figures for first 8 months.)

Days relief furnished by the Hospital Division, United States Public Health Service, fiscal year ending June 30, 1920.

Month.	All cases (including war-risk insurance).					War-risk insurance cases.				
			Relief stations.							
	All.	United States marine hospitals.	United States Public Health Service hospitals.	118 original stations.[1]	Other contract stations.	All.	United States marine hospitals.	United States Public Health Service hospitals.	118 origin stations.	Other contract stations.
July	148,561	55,624	55,521	11,159	26,257	100,278	23,858	45,446	5,277	25,697
August	181,255	55,318	69,635	13,771	42,531	133,025	25,061	59,513	6,825	41,626
September	207,219	54,426	87,025	14,706	51,062	153,378	23,678	72,448	7,241	50,111
October	255,234	56,497	110,477	17,725	70,535	179,214	23,483	89,389	9,684	56,658
November	274,719	56,042	128,155	16,712	73,809	211,746	22,646	106,469	9,041	73,590
December	315,192	59,639	130,211	17,697	107,645	249,190	24,260	107,963	9,644	107,323
January	384,930	65,358	162,328	22,380	134,864	298,885	26,511	124,973	12,984	134,417
February	399,258	63,658	163,317	23,413	148,464	317,825	26,166	132,744	10,531	148,384
Subtotal	2,166,368	466,562	906,669	137,564	655,573	1,643,541	195,663	738,945	71,227	637,806
March [2]	440,000					348,000				
April [2]	480,000					375,000				
May [2]	520,000					409,000				
June [2]	555,000					440,000				
Grand total	4,161,368					3,218,541				
Total last 4 months [2]	1,995,000					1,572,000				

[1] Originally paid from appropriation "Care of seamen." [2] Estimated.

NOTE.—By one relief-day ("Day-Relief") is meant the hospital care of one patient for one day.

Office treatments furnished by the Hospital Division, United States Public Health Service fiscal year ending June 30, 1920.

Month.	All cases (including war-risk insurance).					War-risk insurance cases.				
			Relief stations.							
	All.	United States Marine hospitals.	United States Public Health Service hospitals.	118 original stations.	Other contract stations.	All.	United States Marine hospitals.	United States Public Health Service hospitals.	118 original stations.	Other contract stations.
July	21,211	10,305	614	6,599	3,693	5,848	1,359	313	989	3,187
August	26,592	9,646	1,032	10,087	5,827	8,711	1,366	674	1,348	5,323
September	28,638	7,852	3,037	8,869	9,880	13,414	1,414	1,306	1,462	9,232
October	39,408	6,957	3,766	10,344	18,341	24,689	1,595	2,591	2,436	18,067
November	40,485	7,751	4,780	7,977	19,977	27,396	1,485	3,849	2,218	19,844
December	46,281	8,659	6,927	8,887	21,808	31,644	1,873	5,639	2,468	21,664
January	55,269	9,685	5,477	9,703	29,404	40,118	2,251	5,862	2,805	29,200
February	58,247	8,794	6,690	8,903	23,860	43,483	2,290	5,427	2,420	33,346
Total	316,131	69,649	32,323	71,369	142,790	195,303	13,633	25,661	16,146	139,863
March [2]	64,000					49,700				
April [2]	69,500					55,200				
May [2]	75,000					60,200				
June [2]	81,000					66,200				
Total	605,631					426,603				
Total for last 4 months [2]	289,500					231,300				

[1] Originally paid from appropriation "Care of seamen." [2] Estimated.

Physical examination furnished by the Hospital Division, United States Public Health Service, fiscal year ending June 30, 1920.

Month.	All cases (including war-risk insurance).					War-risk insurance cases.				
			Relief stations.							
	All.	United States marine hospitals.	United States Public Health Service hospitals.	118 original stations.	Other contract stations.[1]	All.	United States marine hospitals.	United States Public Health Service hospitals.	118 original stations.[1]	Other contract stations.
July	12,617	3,082	363	3,764	5,408	8,817	962	289	2,450	5,116
August	16,096	2,692	538	3,822	9,044	11,975	704	459	2,064	8,748
September	19,316	2,282	620	3,736	12,678	15,510	398	471	2,267	12,374
October	26,526	2,448	589	3,858	19,631	22,888	492	401	2,443	19,552
November	30,726	2,109	422	3,769	24,426	27,536	538	376	2,321	24,301
December	30,897	2,233	2,096	4,260	22,308	27,462	568	2,029	2,733	22,132
January	43,777	2,840	82	5,011	35,844	39,747	762	58	3,178	35,749
February	35,747	2,538	411	4,349	28,449	32,559	688	338	3,109	28,424
Total	215,702	20,224	5,121	32,569	157,788	186,494	5,112	4,421	20,565	156,396
March [2]	42,300					39,600				
April [2]	45,800					43,400				
May [2]	49,300					46,800				
June [2]	52,800					49,600				
Total	405,902					365,694				
Total last 4 months [2]	190,200					179,200				

[1] Originally paid from appropriation "Care of seamen." [2] Estimated.

Mr. CANNON. There is one other thing you might include in that table, and that is the number of people treated in the Public Health hospitals who are soldiers, indicating the different classes of the service, and then I want to know the number of civilians treated. If there is any considerable number of civilians treated, I want to know whether they are in the contract hospitals or other hospitals, with a slight reference to the authority under which you treat civilians.

NOTE.—The number of civilians treated in contract and other hospitals is given in tables inserted in another place.

The authority for treating civilians by the Public Health Service is contained in Public Act No. 326, entitled "An act to authorize the Secretary of the Treasury to provide hospital and sanatorium facilities for discharged sick and disabled soldiers, sailors, and marines."

Dr. CUMMING. Do you mean by civilians seamen and men of that class?

Mr. CANNON. I mean by that if you are treating people from the public at large. For instance, suppose I come and knock at the door and want treatment. I am under the impression that there is quite a considerable number of people throughout the United States who were never in the public service that are being treated by your service.

Dr. CUMMING. There is none that I know of.

Dr. STIMPSON. The only persons being treated are beneficiaries of the law.

The CHAIRMAN. If you are treating any of them at all, it would be under the appropriation for venereal diseases?

Dr. CUMMING. We do not treat them under that appropriation in the hospitals.

Mr. CANNON. You treat hookworm patients, do you not? You have very broad authority in some of the legislation enacted. I do not know that I could put my finger on it, but you have broad authority, for instance, touching the question of venereal diseases.

Dr. CUMMING. Yes, sir.

The CHAIRMAN. Are you treating any persons in your Public Health hospitals or in the contract hospitals out of appropriations made by Congress who are not entitled to the benefits of the Public Health Service as specified by the statutes of the United States?

Dr. CUMMING. None that I know of. If there are any being treated, it is unauthorized.

The CHAIRMAN. Include in the table you prepare the information that Mr. Cannon requested with regard to the classes you treat.

Dr. STIMPSON. We will do so. You want the contract cost or rate, but the contract rate does not cover all of the expense of treating people outside of the Public Health Service hospitals. The contract rate may be $2.50, but there are other things included in that that are hard to estimate. It would be difficult for us to estimate what it is costing us per day in the contract hospitals. We have 1,400 contracts.

The CHAIRMAN. When you put in so many thousand patients in your Public Health Service hospitals, and you give the amount that it is costing you per day, I take it that you do not figure the administrative cost here in Washington?

Dr. CUMMING. No, sir.

The CHAIRMAN. Therefore, it seems to me that it is perfectly fair when you take your contract patients and figure how much you are

actually paying out, and then how much should be added to that for transportation and other items that you would have to pay whether they were in Public Health hospitals or contract hospitals, that you should then, after you have gotten through with all of it, take your administrative expense part of it that has to do with hospitalization and prorate it among the patients, whether in Public Health Service hospitals or contract hospitals, because in either case you have to have administrative work connected with it.

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. If you would throw that into the whole thing, then we could get a picture as to the cost.

Expenditures, Hospital Division, United States Public Health Service, fiscal year ending June 30, 1920.

Months.	Maintenance, Public Health Service.	Personnel.	Travel, meals, etc.	Contract relief.[1]	Maintenance, marine hospital.[2]	Purveying depot, freight and stationery.[3]	Total.
July, 1919	$249,848.79	$186,424.46	$10,479.86	$41,072.52	$65,893.14	$45,376.50	$599,095.27
August	284,570.33	229,167.23	11,919.05	47,896.09	74,022.46	54,451.80	702,026.96
September	432,361,39	282,922.19	14,038.88	49,113.16	66,281.45	74,114.00	918,831.09
October	480,598.85	342,845.10	17,548.83	52,651.81	99,959.55	85,468.08	1,069,072.22
November	573,551.62	413,231.25	17,614.54	56,958.36	85,929.30	99,450.17	1,246,735.24
December	625,655.66	480,622.19	26,710.89	60,622.10	96,101.71	117,222.63	1,406,935.18
January, 1920	745,974.69	528,527.40	22,500.00	64,344.85	104,969.09	132,340.13	1,598,656.16
February [4]	810,000.00	616,000.00	25,000.00	68,000.00	111,000.00	147,851.77	1,777,851.77
Total	4,202,561.33	3,079,739.82	145,812.05	440,658.91	694,156.70	756,275.08	9,319,203.89
March [5]							2,188,199.49
April [5]							2,387,126.72
May [5]							2,586,053.94
June [5]							2,784,981.17
Total							9,946,361.32
Grand total							19,265,565.21

[1] Original appropriation "Care of Seamen," $220,000.
[2] Original appropriation "Maintenance, Marine Hospital," $625,000.
[3] Original appropriation "P. D. supplies," $85,000.
[4] Partially estimated.
[5] Estimated—includes repairs.

NOTE.—The cost of care and treatment of patients per day in both Government and civilian hospitals for the month of December is about $4, which is based on the last figures received upon which an estimate can be made. The cost varies somewhat each month, and it is impossible to give accurate statements regarding the cost per day in hospitals used by the service, and especially is this the case in hospitals not operated by this service. The opening of new hospitals always greatly increases the total amount spent for hospitalization as it is some time before they can be placed in full operation and can take the maximum number of patients.

MAINTENANCE, PERSONNEL, TRAVEL, ETC.

The CHAIRMAN. Following this statement, in the first place, you estimate that for the remainder of the fiscal year you will need for maintenance, personnel, travel, etc., $7,302,000.

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. That is on the basis of three months?

Dr. STIMPSON. Four months, from March 6. We had to date it March 6, because it was then that we got the appropriation of $3,500,000.

The CHAIRMAN. You had on hand at that time about $800,000?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. Did you take that into consideration when you estimated for this amount?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. In the last month that you have data for you actually expended $1,297,000.

Dr. STIMPSON. In January; yes, sir.

The CHAIRMAN. That multiplied by four for the remaining four months would give you about $5,200,000.

Dr. STIMPSON. Yes, sir; but, as you see, it has increased since the 1st of July. For instance, see the difference between January and December.

The CHAIRMAN. But did you not get to the peak in January?

Dr. STIMPSON. No, sir; we have not reached the peak yet.

Dr. CUMMING. The War Risk Bureau is turning over an ascending number of patients every day. The patients as of January——

Dr. STIMPSON (interposing). In January we had in our own hospitals 7,000 patients, and now we have nearly 8,000 patients.

The CHAIRMAN. How many in the contract hospitals?

Dr. STIMPSON. It is the same way in the contract hospitals. We have about 6,200 patients in the contract hospitals.

Mr. LEVEN. In January we had about 4,000 in contract hospitals. The number in contract hospitals is increasing in the same way as in the Public Health hospitals.

Mr. CANNON. You pay $2 per day to the contract hospitals?

Dr. STIMPSON. We pay various rates. It is much more than $2 in some hospitals.

Dr. CUMMING. It depends on the locality. In some cases we get the service cheaper than in others.

Dr. STIMPSON. And it depends on what is furnished. Some hospitals furnish very little, while others furnish more.

The CHAIRMAN. Do you actually feel that for maintenance, personnel, travel, meals, etc., you will need $7,302,000 for the rest of this year?

Dr. STIMPSON. Yes, sir; I do not see how it can be otherwise.

The CHAIRMAN. How much increase over the number you have in the hospitals at the present time are you estimating for the remainder of this year?

Dr. STIMPSON. In the same percentage. This is the percentage.

Mr. LEVEN. It is not on a percentage basis. We are not increasing geometrically, but arithmetically, and we add in a certain amount of increase every month. You can see that better, I think, from the chart than from the table.

The CHAIRMAN. According to this statement, you have been increasing about $200,000 per month in your expenditures for these purposes.

Dr. STIMPSON. Yes, sir.

Dr. CUMMING. And that does not seem to be the end yet.

Dr. STIMPSON. This statement [indicating] shows what we are spending at the end of each month. At the last of the year, in July, we will be spending, according to this estimate, $2,200,000 each month. We know that this is positively true as to January. We know the facts up to this point [indicating], because these are the

actual expenditures. The others are estimated on the same ratio. We think from the way it has increased that it will increase even over that ratio, but the estimate of $8,816,115.21 is based on that ratio.

The CHAIRMAN. In stating that your increase has been $200,000 per month, I think I have rather overstated it. For example, in July you expended, in round numbers $442,000; in August, $525,000, or an increase of less than $100,000 over the month before; in September you expended $729,000, which was an increase of slightly over $200,000 over the previous month; in the next month, October, you spent $840,000, which is an increase of just a little over $111,000 over the month before; in November you spent $1,004,000, in round figures, which is an increase of about $150,000 over the month before; in December you expended $1,132,000, in round figures, which was an increase of about $130,000 over the month before: in January you expended $1,297,000, in round figures, which is an increase of about $150,000 over the month before; in February you expended $1,451,000 which was an increase of approximately $150,000 over the month before. Now, take the month of February, and if you add $150,000 to the expenditures for January, you would have about $1,600,000 for that month, and that is what you have estimated. For April, assuming that the same thing will keep up, you would have $1,750,000, and for May you would have $1,900,000. It appears that you have added about $150,000 per month.

Dr. STIMPSON. That has been very carefully prepared. These are only some of the items, and they do not include all of the expenditures.

The CHAIRMAN. I understand that; but they are for these three purposes.

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. Do you feel that that increase is going to be continued for the service, now that spring is opening up, and a good many of these boys, expecially those that are in the hospitals because of the very hard winter, will now go out of the hospitals and take up their work? Will you not have an exodus from these hospitals that will almost equal your receipt of patients?

Dr. CUMMING. That used to be true of the old soldiers' homes, but the experience here last summer seems to indicate that it is not true in this case.

The CHAIRMAN. I can see why, to a certain point, that would necessarily be so, because you have a large number of boys who were wounded, and others suffering from tuberculosis, etc. To a certain point, it seems to me that it is bound to increase, but with this increase that you have had, I have been wondering whether you have not reached that point, and whether with the coming of spring and warmer weather the boys are not going to leave the hospitals to a great extent.

Dr. CUMMING. I wish I could feel so.

Dr. STIMPSON. The War Risk Bureau has estimated that the peak will not be reached until 1924, and we received word the other day from the War Department that they have 5,000 patients suffering from severe injuries, as where a man's whole mouth has been blown away, or where the nerves are injured and render their arms useless——

The CHAIRMAN (interposing). Are those men still in the service hospitals?

Dr. STIMPSON. They are still in the Army hospitals. There are 5,000 of them, and the Army has asked us to take them over. The men want to get out.

The CHAIRMAN. They remain in the Army hospitals until discharged?

Dr. CUMMING. Yes, sir; until discharged.

The CHAIRMAN. Until they are discharged they are to be taken care of in the Army hospitals?

Dr. STIMPSON. The Army wants to discharge them. That is just one thing. Another thing is that we have letters from all over the country saying that patients are not getting treatment. Our hospitals are full, and we are trying our best to get other hospitals.

Dr. CUMMING. In Mr. Cannon's State we have a great many tuberculosis patients, I am sorry to say, that we have not been able to take care of. They are from around Chicago, and we have been answering a good many letters from people in that district. We have tried sending them down into the Carolinas, but those hospitals are full too. Another trouble is that some of those hospitals that we took over from the Army are on lease, and belong to cities and other organizations that are demanding that we take our patients out of them and transfer them. That will make an additional number of contract hospitals.

The CHAIRMAN. You can put in the record a copy of your statement with regard to the monthly expenditures for maintenance, personnel, etc.

(The statement referred to is as follows:)

Monthly expenditures out of appropriation "Pay of personnel and maintenance United States Public Health Service, 1920."

ACCOUNTS OF MAINTENANCE, PERSONNEL, AND TRAVEL, ETC.

Month.	Maintenance.	Personnel.	Travel, meals, etc.	Total.
July, 1919	$249,848.79	$186,424.46	$10,479.86	$446,733.11
August	284,570.33	229,167.23	11,919.05	525,656.61
September	432,361.39	282,922.19	14,038.88	729,322.46
October	480,598.85	342,845.10	17,548.83	840,992.78
November	573,551.62	413,231.25	17,614.54	1,004,397.41
December	625,655.66	480,622.19	26,710.89	1,132,988.74
January, 1920	745,974.69	528,527.40	22,500.00	1,297,002.09
February [1]	810,000.00	616,000.00	25,000.00	1,451,000.00
Total	4,202,561.33	3,079,739.82	145,812.05	7,428,113.20
March [1]	890,000.00	684,000.00	28,000.00	1,602,000.00
April [1]	970,000.00	750,000.00	30,000.00	1,750,000.00
May [1]	1,050,000.00	818,000.00	33,000.00	1,901,000.00
June [1]	1,130,000.00	884,000.00	35,000.00	2,049,000.00
Total	8,242,561.33	6,215,739.82	271,812.05	14,730,113.20
Total for last 4 months only	4,040,000.00	3,136,000.00	126,000.00	7,302,000.00

[1] Estimated.

CONTRACT RELIEF STATIONS.

FOR CARE OF MERCHANT SEAMEN, ETC.

The CHAIRMAN. You estimate that contract relief for the remaining four months will cost $308,500. What is contract relief?

Dr. STIMPSON. That is an old appropriation that we got from the Appropriations Committee for merchant seamen. It is for our old

118 contract stations. That appropriation was exhausted sometime in December, and we used this appropriation, which we are authorized to do by law, to pay for those particular contract stations.

The CHAIRMAN. There are 118 of them?

Dr. STIMPSON. Yes, sir; there were 118 in the last estimate.

The CHAIRMAN. Where are they?

Dr. STIMPSON. They are stations where merchant seamen are cared for in different parts of the country where we do not have hospitals of our own. It was an appropriation allowed for them.

The CHAIRMAN. Are they private hospitals?

Dr. STIMPSON. Civilian hospitals. Now, we have continued the use of them, and we are also using them, not only for merchant seamen, but for other beneficiaries, including soldiers, sailors, and people of that kind. The expense of maintaining them has gone up somewhat, just as it has gone up in our own hospitals and in other contract hospitals.

Dr. CUMMING. There is also an increase in the number of merchant seamen.

The CHAIRMAN. Not all of your contract patients are paid for out of this appropriation?

Dr. STIMPSON. No, sir; only those at the 118 stations we originally had. That is what the appropriation was intended for.

The CHAIRMAN. How many patients, approximately, does that provide for?

Dr. STIMPSON. Just these particular 118 stations.

The CHAIRMAN. How many were cared for there out of this appropriation?

Dr. STIMPSON. I can give you a statement of the money expended each month. In July we expended $41,072.52; in October we expended $52,651.61——

The CHAIRMAN (interposing). Did you not pay out of this allotment money also for the maintenance of your marine hospitals?

Dr. STIMPSON. No, sir; these are contract stations not maintained as Government hospitals, but contracts are made with civilian hospitals. This applies only to these particular 118 contract stations.

The CHAIRMAN. This statement would indicate that the number of patients cared for under your allotment for contract relief has also steadily increased?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. It has practically doubled since July?

Dr. STIMPSON. Yes, sir; the original appropriation for that was $220,000. That was exhausted by February. For the first eight months of the year the expense of the contract relief at these 118 stations was $440,658.91.

The CHAIRMAN. You are estimating for considerable money for the next four months?

Dr. STIMPSON. Yes, sir; for the last four months we are estimating $308,500.

MAINTENANCE OF MARINE HOSPITALS.

The CHAIRMAN. You have an estimate for the maintenance of marine hospitals?

Dr. STIMPSON. Yes, sir; that was a special appropriation, and it is separate from the other appropriation. That is for the marine hospitals.

The CHAIRMAN. You are asking for that deficiency along with your regular appropriation?

Dr. STIMPSON. Yes, sir; that is included in it. This shows the amount included in the estimate for that purpose [indicating]. In July we expended $65,893.14, in December we expended $96,101.71, and in January $104,969.09. We estimate that we will need $509,000 under that head for the last four months of the fiscal year.

The CHAIRMAN. Can you put in the record a statement showing th number of days this hospital service was rendered?

Dr. STIMPSON. I will try to do so.

The CHAIRMAN. Your expenditures for the maintenance of marine hospitals increased from $65,893.14 in July to $111,000 in February.

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. That is almost double again?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. The number of patients, of course, has increased?

Dr. STIMPSON. The number has steadily increased.

Dr. CUMMING. It runs just about parallel. These [indicating] are war-risk insurance patients, and these [indicating] are all cases.

The CHAIRMAN. Are the other cases increasing?

Dr. CUMMING. Yes, sir. There are a great many ships under the American flag that had been before under foreign flags or were not in existence, or were operated by the Navy Department.

The CHAIRMAN. Does most of your increase come from ship employees?

Dr. CUMMING. Yes, sir.

Dr. STIMPSON. We also treat soldiers in marine hospitals. They are sent there by the War Risk Bureau.

The CHAIRMAN. I observe that you estimate that for June you will need $135,000 for the maintenance of marine hospitals, as compared with $65,000 expended in July?

Dr. STIMPSON. Yes, sir.

Mr. LEVEN. It is increasing at the rate of about $4,000 per month.

The CHAIRMAN. For this year you have paid for the maintenance of marine hospitals out of the appropriation of $9,500,000?

Dr. STIMPSON. No, sir; we have first paid for the maintenance of the marine hospitals out of the special appropriation of $625,000 made for that purpose. When that appropriation was exhausted, then we paid for their maintenance out of the appropriation of $9,500,000.

The CHAIRMAN. For the rest of this year you propose to pay for their maintenance out of an allotment from the regular appropriation?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. This table may be inserted in the record.

(The table referred to is as follows:)

Expenditures for contract relief maintenance of marine hospitals and purveying depot supplies to be paid out of appropriation, "Pay of personnel and maintenance, United States Public Health Service, 1920."

Month.	Contract relief.	Maintenance of marine hospitals.	Purveying depot.
1919.			
July	$41,072.52	$65,893.14	....
August	47,896.09	74,022.46	....
September	49,113.18	66,281.45	....
October	52,651.81	89,959.55	....
November	56,958.36	85,929.30	....
December	60,622.10	96,101.71	....
1920.			
January	64,344.85	104,969.09	....
February [1]	68,000.00	111,000.00	....
Total	440,658.91	694,156.70	$622,138.89
March [1]	71,500.00	118,000.00	....
April [1]	75,000.00	125,000.00	....
May [1]	79,000.00	131,000.00	....
June [1]	83,000.00	135,000.00	....
Total	749,158.91	1,203,156.70	983,208.33
Appropriation "Care of seamen, 1920"	220,000.00	....	....
Appropriation, "Maintenance, marine hospitals, 1920"	....	625,000.00	....
P. D. supplies allotment, amount to be paid out of appropriation "Pay of personnel, etc., United States Public Health Service, 1920"	....	....	85,000.00
Total	529,158.91	578,156.70	898,208.33
Total for last 4 months, Mar. 1–June 30	308,500.00	509,000.00	361,069.44

[1] Estimated.

PURVEYING DEPOT.

MEDICAL, SURGICAL AND HOSPITAL SUPPLIES FOR STATIONS AND HOSPITALS.

The CHAIRMAN. For purveying depot you propose to allot out of this estimate $361,069.44. How much did you expend for that purpose for the first six months?

Dr. STIMPSON. $622,138.89. That represents the expenditures for eight months. Our appropriation for that purpose last year was only $85,000, and we had to allot to it other money from the appropriation we are now considering in order to get the supplies we needed.

The CHAIRMAN. What is the nature of these expenditures?

Dr. STIMPSON. Medical, surgical, and hospital supplies for stations and hospitals. It does not include many artificial limbs. It includes a few artificial limbs, but not many. The War Risk Insurance Bureau has been buying the artificial limbs for discharged soldiers up to this time. We secured a quantity of supplies from the War Department, but this money is for supplies that we can not get from the War Department or any other department. We have always gone to the General Supply Committee and other places to see if we could get from them what was desired before buying them outside. If we had to buy the supplies, we would buy them from the General Supply Committee and other departments rather than on the outside. We are only authorized by our act to get things without cost from the War Department and Navy Department. We have gotten a few

supplies from the Navy and a large number of supplies from the Army, but this money is for supplies that the Army can not let us have.

The CHAIRMAN. They are purely medical and surgical supplies?

Dr. STIMPSON. They are medical, surgical, and hospital supplies.

The CHAIRMAN. These supplies do not include subsistence or clothing?

Dr. STIMPSON. No, sir; they might include some clothing.

Dr. CUMMINGS. That would be true only in exceptional cases.

The CHAIRMAN. This is mostly paid out for patients of the Bureau of War Risk Insurance?

Dr. STIMPSON. Yes, sir; or for hospitals where those patients are cared for, or in our own hospitals.

REPAIRS TO RENTED HOSPITALS.

The CHAIRMAN. You have quite a large item of $225,000 for repairs.

Dr. STIMPSON. Yes, sir.

Mr. LEVIN. The itemized statement covering that is on page 9.

Dr. STIMPSON. These are hospitals that we have rented. We can not pay for repairs to rented buildings, and the way it is managed is to charge it as a part of the rent the repairs and alterations. When we get a hotel, we can not use it for a hospital without making alterations in it.

The CHAIRMAN. Are these new hospitals?

Dr. STIMPSON. These are hospitals that we are establishing or have established.

ARROWHEAD, CALIF.

The CHAIRMAN. You are asking $25,000 for Arrowhead, Calif.?

Dr. STIMPSON. Our lease on that begins April 15.

The CHAIRMAN. How many beds will it have?

Dr. STIMPSON. Two hundred beds.

The CHAIRMAN. You are leasing that?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. For how long?

Dr. STIMPSON. We have a five-year lease on it provided appropriations are available for the purpose. We can only lease a place for a year under the law.

The CHAIRMAN. At what rental?

Dr. STIMPSON. I will put that in the record.

NOTE.—The rental of the Arrowhead Springs Hotel property is $62,500 per year.

The CHAIRMAN. Is the $25,000 to be deducted from the rental?

Dr. STIMPSON. That is in addition to the rental; and that is the way we have to do in these cases because we can not repair a building that does not belong to the Government. So we have to make an arrangement to include that as an addition to the rental agreement—the same way with all these other buildings.

The CHAIRMAN. Have you a demand for increased hospital facilities at this point?

Dr. STIMPSON. We have done our very best to find any sort of building in California where we could put patients, and this is the only one we could find after searching for months.

The CHAIRMAN. Is this a hospital?

Dr. STIMPSON. It is a hotel that we are going to try to use as a hospital. It will cost $25,000 to put in the necessary alterations.

The CHAIRMAN. Do you have to furnish it?

Dr. STIMPSON. It is furnished now, and we have rented it furnished. For instance, one thing we have to put in will be electric call bells, sterilizers, operating equipment, etc. We can not leave a patient in a room by himself without a bell which he can ring. Then very often it is possible to take out the partitions of two or three rooms and make wards.

The CHAIRMAN. And you are authorized to do that under your contract?

Dr. STIMPSON. Under the lease; yes, sir.

The CHAIRMAN. Do you have to put the rooms back into the condition in which you found them?

Dr. STIMPSON. Not if we should purchase the property. In each case we try to get property which will be suitable for purchase, in case the money is appropriated by Congress.

The CHAIRMAN. At what figure is this property valued?

Dr. STIMPSON. I would have to get those figures for you and put them in the record.

NOTE.—The owners valued the property at $894,375. The lease as finally signed provides that:

"The United States shall, without prejudice, have the exclusive right at any time during the period of this lease * * * to purchase the herein-described property for a sum to be mutually agreed upon, not exceeding $750,000."

The property includes hotel and bath buildings, 1,800 acres of land, and valuable water rights.

AUGUSTA, GA.

The CHAIRMAN. The next is Augusta, Ga.?

Dr. STIMPSON. That is a practically new hotel which we have leased; we leased it March 21, and it is to be used as a hospital for insane cases, which we need very badly in that neighborhood.

The CHAIRMAN. Have you leased it for five years?

Dr. STIMPSON. We have leased it for that period provided the appropriation is available. We can not lease these places for one year; no company will do it because they say they can not use a building after it is once used for tuberculosis or insane cases.

The CHAIRMAN. How many beds will you have at Augusta?

Dr. STIMPSON. Two hundred. We put in a provision that we will lease it if the money is available.

The CHAIRMAN. The lease is for five years with an option of purchase?

Dr. STIMPSON. Yes.

The CHAIRMAN. I wish you would, in all these cases where you have leased, state what the option is.

Dr. STIMPSON. Very well.

NOTE.—The rental of the Lenwood Hotel property is $46,500 per year. The lease contains an option for purchase of the property, good during the life of the agreement, for the sum of $379,800, which is to be reduced by a prorated sum of $10,000 per annum out of the amount which shall have been paid as rent.

The CHAIRMAN. You say this is a new hotel?

Dr. STIMPSON. It is practically new and I do not think it has ever been used.

Mr. BYRNES. Is that the Lenwood Hotel?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. Has not the Army turned over to you some hospitals in this vicinity?

Dr. STIMPSON. They have turned over some wooden sheds, unpainted wooden sheds, the old camp hospitals, which we have endeavored to use and we are using one in that neighborhood at Camp Sevier for tuberculosis cases. Our experts on insanity say you can not use those buildings for insane cases.

The CHAIRMAN. Is it desirable to have a hospital right in the heart of a city like Augusta without any extensive grounds around it?

Dr. STIMPSON. We have rented over 100 acres in connection with this hospital.

The CHAIRMAN. Adjoining it?

Dr. STIMPSON. Yes, sir. I think it is 140 acres, but I will put in the record the exact number of acres.

NOTE.—The property leased consists of the hotel buildings and 177 acres of land situated on the edge of the built-up portion of the city of Augusta.

The CHAIRMAN. You do not remember what the rental is per year?

Dr. STIMPSON. No, sir.

Mr. BYRNES. I remember reading in the newspapers about that. It was a tourist hotel, was it not?

Dr. STIMPSON. I think it was, but I doubt whether it was ever used.

Mr. BYRNES. It is on the outskirts of Augusta?

Dr. STIMPSON. Yes, sir; it is a very fine building and we were very glad to get it.

The CHAIRMAN. You do not know what it cost?

Dr. STIMPSON. No; I can not remember those figures.

The CHAIRMAN. Has it been vacant for some time?

Dr. STIMPSON. I do not think it was ever used. All of these properties where the purchase price is mentioned in the lease have been investigated by experts of the Treasury Department, of the Supervising Architect's Office, to determine the true valuation of the property and the yearly rental is about 10 per cent of the valuation.

Mr. BYRNES. This hotel was used one year, I know.

Dr. STIMPSON. I did not know that.

BILTMORE, N. C.

The CHAIRMAN. The next is Biltmore, N. C., the Kenilworth Inn, for which you are asking $20,000?

Dr. STIMPSON. That is a hotel which was used by the Army as a hospital and we took it over complete when the Army left it, with all its equipment.

The CHAIRMAN. You are occupying it now?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. Why do you need $20,000?

Dr. STIMPSON. That is for the purpose of making certain alterations, the taking out of some of the partitions, and installing a garage and laundry.

The CHAIRMAN. Is that building under lease?

Dr. STIMPSON. We have leased it for five years with the option to buy it, just like most of these other places.

Mr. BYRNES. Have you bought any of these places?

Dr. STIMPSON. No, sir.

Mr. BYRNES. In each case there is a lease with an option to buy?

Dr. STIMPSON. No, sir; when properties are well adapted for permanent use we usually secure an option to purchase.

The CHAIRMAN. How many beds have you there?

Dr. STIMPSON. That is a very large place and I think it holds about 300 patients all together.

The CHAIRMAN. Is there much ground around it?

Dr. STIMPSON. There are about 75 acres, sufficient ground, and we are using it for a general hospital. I will put in the record the exact number of acres.

NOTE.—The Biltmore property consists of the main hotel building, power house, etc., 11 dwelling houses for use as quarters for medical officers and nurses, and 75 acres of land. The rental price is $106,000 per year. The lease agreement contains an option to purchase at the price of $1,175,000 with a deduction from this price at the rate of $148,000 per annum from the amount paid as rent.

The CHAIRMAN. Are the beds filled?

Dr. STIMPSON. There are 220 patients there.

DWIGHT, ILL.

The CHAIRMAN. At Dwight, Ill., for the Livingston Hotel, you are asking $15,000?

Dr. STIMPSON. Yes, sir; that is the original Keeley Cure Hospital, and we have rented that for five years.

The CHAIRMAN. Do you get the cure with it?

Dr. STIMPSON. No, sir; that is the reason we could rent it, because the cure was not necessary. It is really the original Keeley Institute, and we find it will hold 200 beds, but not the personnel; we have got to board the personnel out in the town.

The CHAIRMAN. Are you occupying it?

Dr. STIMPSON. We just succeeded in renting it a few days ago and it is now in preparation of being occupied. That is one reason we would like to have the money.

The CHAIRMAN. Are you figuring on buying that also?

Dr. STIMPSON. No, sir.

Dr. CUMMING. We will not need that after we get the Speedway.

NOTE.—The leased property at Dwight consists of three fireproof buildings and about 1 acre of land. The rental is $30,000 per annum, and there is no purchase option in the agreement.

MARKLETON, PA.

The CHAIRMAN. At Markleton, Pa., you have the Markleton Hotel, for which you are asking $20,000?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. You have had that?

Dr. STIMPSON. No, sir; but the Army had it. We did not use it for a long time, six or eight months, after the Army gave it up, but we found we had a have a place for tubercular patients in Pennsylvania in that neighborhood so we have rented that hotel.

The CHAIRMAN. I thought the Army spent a whole lot of money on that hotel?

Dr. STIMPSON. They did put up some wooden barracks and wards.

The CHAIRMAN. I thought they remodeled that hotel?

Dr. STIMPSON. They did not remodel the hotel at all; in fact, it was very sadly in need of all kinds of repairs; especially the heating plant, plaster work, and painting had to be gone over before it could be occupied by patients.

The CHAIRMAN. Are you not getting too ambitious with regard to some of the repairs for which you are estimating?

Dr. STIMPSON. No; repairs are very expensive, and we find we have to take good care of these patients.

The CHAIRMAN. Are you figuring on buying this hotel?

Dr. STIMPSON. No, sir; we are not figuring on buying it, but just renting it.

NOTE.—The leased property at Markleton consists of the hotel building and acessories, two dwellings, and 222 acres of land. The rental is $26,000 per annum, with a provision in the lease that should a sale of the property to the United States be arranged there shall be a credit at the rate of $5,000 per annum from the rent applied on the purchase price. There is no option for purchase in the lease, however.

TUCSON, ARIZ.

The CHAIRMAN. The next is Tucson, Ariz.

Dr. STIMPSON. That is a small hospital which we have succeeded in getting in that country.

The CHAIRMAN. Is it a tuberculosis hospital?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. Of how many beds?

Dr. STIMPSON. About 48 beds; it is a small place, but we found we had to get it there because the Federal board has a number of students taking vocational training at the university at that place and we simply had to have a hospital to take care of these people who get sick, as many of them do.

The CHAIRMAN. I should think that a small hospital with 48 beds would be a very expensive hospital?

Dr. STIMPSON. It is, but what are we going to do? We have those men there with no place to put them.

The CHAIRMAN. You have another one in Arizona?

Dr. STIMPSON. Not at Tucson. These are people in training and they get sick for two or three days or for a short time and they do not want to leave there and go across to another State, and they do not want to stop their training; we keep them in the hospital for a short time and then they can go on with their work.

NOTE.—The hospital at Tucson consists of three buildings and about 35 acres of land. It will accommodate 60 patients. The rental is $4,000, with no option for purchase.

MOUNT ALTO, WASHINGTON, D. C.

The CHAIRMAN. At Mount Alto you want to spend $50,000?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. If you are going to spend that amount it means you are going to buy it?

Dr. STIMPSON. If we buy it that can be taken out.

The CHAIRMAN. If you spend this money on it you are surely going to buy it?

Dr. STIMPSON. If we buy it we do not need this money. I think we can safely cut that out, in view of the joint resolution which has been introduced.

The CHAIRMAN. Does the bill carry an appropriation?

Dr. STIMPSON. No; it utilizes other money that we have.

NAVAL HOSPITAL, PHILADELPHIA, PA.

The CHAIRMAN. The next is the United States Public Health Service Hospital.

Dr. STIMPSON. That is the naval hospital at Philadelphia which was loaned to us by the Navy Department. At the last hearing I told you the Navy had given this to us, but I find, on looking up the records carefully, that they have only loaned it to us. That is a big hospital that we are going to use for the insane.

The CHAIRMAN. Of how many beds?

Dr. STIMPSON. Four hundred beds.

The CHAIRMAN. They are going to loan it to you?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. For what length of time?

Dr. STIMPSON. They have not specified any time but we understand they do not intend to take it back; they simply have to say "loan" because they want to keep a string on it.

The CHAIRMAN. Is it a wooden hospital?

Dr. STIMPSON. I have been there, and most of it is brick; it is a very well-built institution. The main building is of brick and two large ward buildings are of tile and stucco, but it has a number of small wooden buildings attached to it which we can also use because they are well built; they are only of one-story and were put up during the war.

NUMBER OF BEDS ACQUIRED BY ADDITIONAL HOSPITALS.

The CHAIRMAN. How many beds all told will you acquire by the addition of the hospitals which you have enumerated?

Dr. STIMPSON. About 1,563 beds.

The CHAIRMAN. Now, do you need them?

Dr. STIMPSON. Yes, we do. For instance, take this Arrowhead Hospital. I have already explained that we did not have another place we could find in California; the only place we have in California is the old Marine Hospital, in San Francisco, which holds about 250 patients. Then we have a base hospital there called the Palo Alto Hospital, which we obtained from the Army. But they are only wooden structures, and it is a question whether we can retain them because the people do not want to rent the land to us; they want to sell the land to us. We took that up with you the last time. That is overflowing now; it has at the present time 473 patients, and we are badly in need of hospital accommodations there. At Augusta, the Lenwood Hotel is being used for insane cases. We are caring for insane patients, wherever we can, at State hospitals, but that is very unsatisfactory; many of the patients' relatives object to it, and the State hospitals are already overcrowded and they are asking us to take them out. Another thing is that we will send a patient to an insane hospital, he will get a little better and they will give him a

furlough; thus, in a short while we find he is out of the hospital and back at our office and then we have to send him somewhere else. At Dwight, Ill., we need hospital facilities on account of the very urgent necessity for hospital accommodations at Chicago, St. Louis, St. Paul, and Detroit.

The CHAIRMAN. Dwight is only a short distance from Chicago, where you are going to have the Speedway Hospital?

Dr. STIMPSON. Sixty miles.

The CHAIRMAN. With a capacity of 1,000 patients?

Dr. STIMPSON. Eight hundred and thirty-six beds.

The CHAIRMAN. You must have fixed up more expensive quarters for the officers? Originally we started out with 2,000 beds for the Army hospital and now there has been a reduction to 836, which would indicate that you intend to house more of the officers. It would seem they are going to take more than half the space?

Dr. CUMMING. No, sir; we will see they do not do that.

NOTE.—The Army plans for the Speedway contemplated 15 additional large buildings for housing personnel, storage purposes, etc., which were to be erected by the Army in addition to the contract work. We are not getting these buildings. Moreover, the Army plans contemplated large general wards which are not suited to our hospital work. Under present plans it will have a capacity of 836 beds.

Dr. LAVINDER. It takes a large space for the personnel and if you do not take good care of the personnel you can not have a good hospital.

The CHAIRMAN. The Speedway Hospital is to be ready, as I understand, within 60 or 90 days?

Dr. STIMPSON. Early in July.

The CHAIRMAN. If we gave you this $15,000 for Dwight, Ill., you would no more than have spent the money than you would have to give up that hospital, because you would have these additional facilities at the Speedway Hospital?

Dr. STIMPSON. But we expect to fill the Speedway Hospital as soon as it is ready, and we will need Dwight in addition.

The CHAIRMAN. I thought Dr. Cumming said you would give that up as soon as the Speedway was completed?

Dr. STIMPSON. Not as soon as we get it.

Dr. LAVINDER. We expected, Mr. Good, that Dwight would relieve the congestion at Chicago, Milwaukee, and Detroit. We have great congestion in those three places. We were looking for a place and found that this place was ready for occupancy, and that we would not have to spend much money on it.

The CHAIRMAN. At Milwaukee there is a soldiers' home; they have two large barrack buildings heated with steam, and with cold and hot water in every room, and they also have the very best hospital facilities.

Dr. STIMPSON. That is only a boarding house; it is not a hospital. We are not running a home.

The CHAIRMAN. No; but the soldiers' homes are running hospitals in connection with the homes. I have some letters from men who were in this late war, now at the Mountain Branch in Tennessee, and they say they are getting better treatment than they ever received under the Public Health Service. Of course, I make no comparison between the services, but I only say they do have hospitals in connection with their homes.

Dr. STIMPSON. They have some small hospitals.

The CHAIRMAN. And some pretty good sized ones, especially at the Mountain Branch.

Dr. STIMPSON. But that is only to accommodate the people who are in the homes, the people who happen to get sick.

The CHAIRMAN. At the Milwaukee home they have two large barracks that are closed; the average age of the soldiers there is 76, and they are rapidly passing away. Some of those barracks could readily be turned into hospitals; and, more than that, you are going to find, it seems to me, as you progress in this work of taking care of the soldiers of this war that there will be thousands of them, just like the men who were soldiers in the Civil War, who will after awhile become imbued with the idea that the Government ought to take care of them. There may be a little something the matter with them, but they will want to be taken care of at Government expense, and it is perfectly patent to me that we are going to utilize those homes, maybe enlarging the hospital facilities.

Dr. CUMMING. I think that after we get through treating those men in hospitals those homes ought to be used.

The CHAIRMAN. It seems to me it is perfectly apparent that you will have before the year is out hundreds and, perhaps, thousands, of men who will have had their hospital service so that they will not need any more hospital service than can be given to them at the homes, and they ought to be pushed along so that you can make room for the man who has not had hospital treatment, who is entitled to it and needs it to a greater degree than those whom you have carried along as far as you can under rather intensive treatment.

Dr. CUMMING. They have reported about 6,000 vacant beds, I think, all together in the homes, and out of the 4,000,000 there will be, of course, easily 6,000 men who will become fit subjects for soldiers' homes after we have finished with them.

Dr. STIMPSON. We expect to have 76,000 patients suffering from nervous and mental diseases and 46,000 patients suffering from tuberculosis alone; those are the figures given by the War Risk Bureau. We have been told that the beds needed for that purpose, for tuberculosis patients, are 12,500, and for nervous and mental diseases, 11,060, and then we will have to have general beds.

The CHAIRMAN. You want the hospital at Arrowhead as a tuberculosis hospital?

Dr. STIMPSON. No; that is to be a general hospital.

The CHAIRMAN. The hospital at Augusta is to be for insane people?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. What about the hospital at the Kenilworth Inn?

Dr. STIMPSON. That is a general hospital but we may use it hereafter for tubercular patients.

The CHAIRMAN. How about the hospital at Dwight?

Dr. STIMPSON. That is a general hospital.

The CHAIRMAM. At Markleton, Pa.?

Dr. STIMPSON. That is a tuberculosis hospital.

The CHAIRMAN. The hospital at Tucson is to be a tuberculosis hospital?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. How about the hospital at Mount Alto?

Dr. STIMPSON. That is a general hospital. It is very important that that amount be left in if there is no other legislation passed.

The CHAIRMAN. You are asking for it in a lump sum, and you are not asking for any general legislation in this appropriation?

Dr. STIMPSON. No, sir; but we are asking for this to make these alterations complete.

The CHAIRMAN. You are asking for authority to buy?

Dr. STIMPSON. No, sir; this is a renting proposition just like the others, and we will have to pay it as rent and therefore it comes out of this appropriation.

The CHAIRMAN. Is the hospital at Philadelphia, which you will take from the Navy, a general hospital?

Dr. STIMPSON. No; that is for mental and nervous diseases.

The CHAIRMAN. The Speedway Hospital is to be a general hospital?

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. Do you think you are going to need another general hospital at Dwight, where you will have a capacity of 200 beds, in addition to the Speedway Hospital?

Dr. STIMPSON. I certainly do. I think the Speedway Hospital will be filled up very soon, and we can not take care of all the tuberculosis cases at that place.

The CHAIRMAN. Are all of the beds occupied in the hospital you purchased in Wisconsin?

Dr. STIMPSON. The Waukesha Hospital is occupied up to the limit; the Waukesha Hospital has 107 patients and we are making alterations there now—the alterations are nearly completed—and then we can take nearly 300, but that hospital is only for nervous cases.

The CHAIRMAN. In the deficiency bill we gave you $500,000 for repairing hospitals.

Dr. STIMPSON. Yes, sir; but you mentioned special cases, and some of that money we could not use.

The CHAIRMAN. There were only one or two cases mentioned.

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. And we gave it to you in all of those cases where you asked for it.

Dr. STIMPSON. You asked us to state where we needed it at that time, and you gave it, but the other buildings which we may take from the Army and the Navy can not have any money spent on them.

The CHAIRMAN. I wish you would put in the record a statement showing how many hospitals you are now operating, with the bed capacity, the bed capacity of those hospitals described in the deficiency bill, where you were given authority to spend money on repairs, and if they are occupied to any extent, state that; then the other hospitals, if any, that have been turned over to you either by the Army or the Navy, or that you expect to get in the near future, with the bed capacity.

Dr. STIMPSON. We can not tell that in advance because we do not know what they will give us; it depends upon legislation and depends upon future events.

The CHAIRMAN. I did not know but that they had indicated what they were going to turn over.

Dr. STIMPSON. They have indicated that they will turn over Fort Bayard by May 15.

The following tables show, first, a list of hospitals now being operated by the service with the bed capacity of each, and the number of beds occupied. Second, the hospitals referred to in the deficiency bill at which specific authority was given to spend money for repairs, and the capacity and number of beds occupied in each.

No.	Location.	Bed capacity.	Beds now occupied.	Remarks.
1	Baltimore, Md	160	158	
2	Boston, Mass	80	79	
3	Buffalo, N. Y	50	36	
4	Cairo, Ill	40	....	Closed for repairs.
5	Chicago, Ill	140	1[illegible]0	
6	Cleveland, Ohio	90	59	
7	Detroit, Mich	80	88	
8	Evansville, Ind	40	41	
9	Fort Stanton, N. Mex	210	181	
10	Key West, Fla	45	32	
11	Louisville, Ky	70	40	
12	Memphis, Tenn	55	38	
13	Mobile, Ala	45	52	
14	New Orleans, La	275	219	
15	Pittsburgh, Pa	60	59	
16	Portland, Me	45	36	
17	Port Townsend, Wash	90	89	
18	St. Louis, Mo	75	54	
19	San Francisco, Calif	180	181	
20	Savannah, Ga	80	81	
21	Stapleton, N. Y	280	262	
22	Vineyard Haven, Mass	25	7	
24	Palo Alto, Calif	500	463	Temporary construction, to be given up account local opposition.
25	Houston, Tex	500	198	Temporary construction, in poor repair.
26	Greenville, S. C	700	557	
27	Alexandria, La	550	292	Temporary construction.
28	Dansville, N. Y	225	230	
29	Norfolk, Va	266	190	
30	Chicago, Ill	550	560	
32	Washington, D. C	75	70	
34	East Norfolk, Mass	230	86	
35	St. Louis, Mo	620	396	
36	Boston, Mass	500	394	Lease expires June 30.
37	Waukesha, Wis	107	104	
38	New York, N. Y	312	219	
39	Parkview, Pa	305	273	Do.
40	Cape May, N. J	133	121	Lease already expired.
41	New Haven, Conn	470	392	
42	Perryville, Md	114	101	
43	Ellis Island, N. Y	200	98	
44	West Roxbury, Mass	234	123	Lease expires June 30.
45	Biltmore, N. C	315	220	
46	Deming, N. Mex	350	247	
47	Markleton, Pa	120	57	
48	Atlanta, Ga	70	49	
49	Philadelphia, Pa	450	38	Just loaned by Navy; in process of being opened.
50	Prescott, Ariz	615	236	
51	Tucson, Ariz	60	38	
	Total	10,786	7,664	
	Hospitals at which repairs were provided for in second deficiency bill:			
	Alexandria, La	550	292	Remodelling not completed.
	Deming, N. Mex	700	247	Repairs not completed.
	Houston, Tex	300	198	
	Perryville, Md	200	101	Remodelling not completed.
	Greenville, S. C	850	557	Do.
	Cape May, N. J	135	121	Must be given up.
	Hoboken, N. J	305	2[illegible]3	Do.
	Dansville, N. Y	225	230	
	St. Louis, Mo	615	396	
	New Haven, Conn	4.0	392	
	West Roxbury, Mass	234	123	Do.
	Helena, Mont	250	....	Not yet opened on account polluted water supply.
	Boise, Idaho	185	....	Not yet opened; repairs under way.
	East Norfolk, Mass	230	86	
	Total	5,249	3,016	
	Grand total	16,035	10,680	

STATIONERY, PRINTING OF BLANK FORMS, ETC.

The CHAIRMAN. You estimate that your stationery for the next four months will amount to $45,863.81?

Dr. STIMPSON. Yes, sir. On page 10 you will see what has been spent and what we estimate will be necessary. We spent from November 1 to March 1 $54,136.19, and from March 1 to June 1 it is estimated the expenditure will be $45,863.81. Our stationery printing, etc., is very high, as we have to send out large quantities of cards and examination blanks.

The CHAIRMAN. You will not expend as much in the next four months as you spent in the last eight months, will you?

Dr. LAVINDER. I think so; yes, sir.

Mr. BYRNES. Why?

Dr. LAVINDER. I just judged that by the enormous growth of the thing; it gets bigger and bigger every day and if we have not the money we can not do it.

Mr. BYRNES. What does this include?

Dr. LAVINDER. This is for stationery.

Dr. STIMPSON. Stationery and the printing of blank forms.

Dr. LAVINDER. Our inspection reports are about 25 or 30 pages long; we are inspecting every place and we have a good many civilian hospitals.

FREIGHT.

The CHAIRMAN. Then you estimate the freight will amount to $45,000 for the remaining six months. What did you pay for freight for the first eight months of the year.

Dr. STIMPSON. We paid $80,000 the first eight months.

The CHAIRMAN. What freight do you have to send out?

Dr. STIMPSON. We have to send out large quantities of supplies to the different hospitals and some of these hospitals are 500-bed hospitals. We often have to equip them with beds, etc. We will have to equip the Speedway Hospital in that way. We also have to pay the freight on the supplies turned over by the Army which are given to us in various parts of the country.

The CHAIRMAN. Before you leave this subject, Doctor, I want to ask you about this item of 15 per cent for the rate of growth of the service amounting to $1,149,928.07. What is the object in adding this 15 per cent when in making your estimates you have already estimated for an increase in each one of the branches?

Dr. STIMPSON. We have only estimated the normal increase we have had up to this time. We expect a greater increase than the normal increase.

The CHAIRMAN. No; in each one of these items you have built up on the theory that your increase is going to continue.

Dr. STIMPSON. That is that the present increase is going to continue, but we expect a greater increase than the present increase.

Dr. LAVINDER. The point is, Mr. Good, that at the present rate of progress we will need this much money, but suppose our rate of progress should increase, as it very probably will.

The CHAIRMAN. As I understand it, your estimate of $8,816,115 is not predicated on your present number of patients but on the present number plus the anticipated increase based on past experiences.

Dr. LAVINDER. At the present rate of progress.

The CHAIRMAN. Then your estimate that your present rate of progress is going to be exceeded in the next four months and you are asking 15 per cent additional on that account.

Dr. LAVINDER. That is possible.

The CHAIRMAN. Is not that a rather remote possibility?

Dr. LAVINDER. No, sir; I think it is a very likely possibility.

Mr. LEVEN. It is not a possibility; it is an actual fact in the case of the war-risk insurance work. There is an increased expenditure on some of the war-risk insurance work.

Mr. BYRNES. How are you going to have increased expenditures?

Mr. LEVEN. On account of there being certain bills that will have to be paid.

Dr. LAVINDER. If we continue at the rate shown on this diagram, this line will end here, but suppose this line should suddenly shift upward a little, we will come out up here.

The CHAIRMAN. But suppose it shifts downward.

Dr. CUMMING. Mr. Chairman, under a recent agreement which we are considering, to fix up in a more businesslike way the payment of bills between the War Risk and ourselves, which does not seem to exist, we have taken over the payment of all hospital relief. Previous to that time, there was a sort of arbitrary line and the War Risk was supposed to pay some and we were supposed to pay some. The consequence is that some of the bills have not been paid, and we are trying to work out a businesslike bookkeeping arrangement, and under that we are going to pay all the hospital charges for the cases.

Dr. STIMPSON. All hospital treatment.

The CHAIRMAN. Then you are going to relieve the Bureau of War Risk Insurance of some payments, for which they have the money, and if you are going to relieve them from the payment of that money had they not better turn that money over to you?

Dr. CUMMING. We will be glad to have it.

Dr. STIMPSON. I have understood that if they had to pay these bills they would need a deficiency.

The CHAIRMAN. I think that perhaps that arrangement is based upon sound, good judgment, but it ought not to be made during a fiscal year for which appropriations have already been made, because you would throw out of alignment all of the work of Congress.

Dr. STIMPSON. They have not the money, and it is just a question of whether they shall come back to you and ask for more money, or whether we shall do so.

Dr. CUMMING. Under the previous arrangement, Mr. Good, it has been mighty bad, and people have assumed that because we are the Public Health Service all these bills were due by us, and lots of them have been really in pretty bad shape.

The CHAIRMAN. I agree with you that it has been an unbusinesslike arrangement, and that the work done in hospitalization ought to be paid for by the Public Health Service, and the two ought to be divorced so far as the finances are concerned, but what I am complaining about is that we do not get any check on their expenditures by this sort of an arrangement. You come in and simply pick up their burden.

Dr. CUMMING. I have drawn up a parallel list of just what one ought to pay for and what the other ought to pay for, and it was signed to-day, and that will be a businesslike arrangement, so that we can submit to you exactly what each one pays for.

Dr. LAVINDER. It was a sliding-scale arrangement, anyway, because under the present provision the War Risk Insurance can not pay for the medical care and treatment of any patient treated in any Government hospital, or in any hospital under contract with the Government. Of course, if we continue to make contracts with the various hospitals they will not have any hospitals that are not either Government hospitals or hospitals under contract with the Government.

Dr. STIMPSON. And they are not asking for any more money for this purpose, so far as I know.

The CHAIRMAN. I will ask you to put in this statement showing the total deficiencies, estimated, of $7,666,187.14, and then the addition of $1,149,928.07, based on the assumed increase of 15 per cent.

Dr. CUMMING. Yes.

HOSPITAL DIVISION, UNITED STATES PUBLIC HEALTH SERVICE.

Estimate of expenditures for last four months of fiscal year ending June 30, 1920.

Maintenance, personnel and travel, etc	$7,302,000.00
Contract relief	308,500.00
Maintenance of marine hospitals	509,000.00
Purveying depot	361,069.44
Repairs	225,000.00
Stationery	45,863.81
Freight	45,000.00
Total Mar. 1–June 30	8,796,433.25
Estimate of expenditures Mar. 1–6	300,000.00
Total Mar. 6–June 30, 1920	8,496,433.25
Estimated repayments, Mar. 1–June 30	6,550.00
Balance Mar. 6	823,696.11
Deficiency Mar. 6	7,666,187.14
15 per cent of this deficiency for increase in rate of growth of the service	1,149,928.07
Total deficiency	8,816,115.21

PERSONNEL.

The CHAIRMAN. You have here a statement with regard to your personnel.

Dr. STIMPSON. This statement in the first column shows simply the designation, and in the second column is shown our home office here in Washington, which shows 19 officers, 2 nurses, 1 dietitian, 11 technical and administrative assistants, 172 clerks, and 37 attendants; 242 employees altogether. In the field we have 1,757 officers, 919 nurses, 61 dietitians, 336 technical and administrative assistants, 1,400 clerks, and 3,200 attendants, which makes a complete force of 7,915.

The CHAIRMAN. You have pretty nearly one attendant and doctor for every patient.

Dr. STIMPSON. We have about 14,000 patients at the present time.

The CHAIRMAN. Not in your own hospitals. That includes the contract hospitals.

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. You have about 8,000 in your own hospitals, and you have how many doctors and clerks?

Dr. STIMPSON. The total personnel is 7,915.

The CHAIRMAN. So it is just about one employee for each patient.

Dr. STIMPSON. But that includes the personnel in the District offices. We have to keep open these district offices, of which there are 14, and most of their work is examination. A man can not get compensation until given a thorough examination, and the report goes to the War Risk Insurance Bureau. We have made over 350,000 of these examinations this year.

Dr. CUMMING. I might state, Mr. Chairman, that under the War Risk Insurance arrangement these people are reexamined for the purpose of rerating at intervals of one month.

Dr. STIMPSON. Of the 7,915 employees there are 2,222 in these district offices engaged mostly on examinations alone; that is, in the district offices and the subdistrict offices.

Dr. CUMMING. These examinations that we have to make for ratings are very elaborate things, too.

The CHAIRMAN. Put in the statement in reference to your personnel.

Dr. CUMMING. Yes.

Total personnel in districts, United States Public Health Service, including Porto Rico, the Philippines, Virgin, and Hawaiian Islands, as of Mar. 15, 1920.

[Appropriation: "Pay of personnel and maintenance of hospitals, Public Health Service, 1920."]

Resignation.	Number.	Total annual salaries.
Medical personnel:		
Surgeons (reserve)	14	
Passed assistant surgeons (reserve)	59	
Assistant surgeons (reserve)	9	
Acting assistant surgeons	560	
Inspectors	6	
Attending specialists	388	
Internes	5	
Total	1,041	$1,876,516
Nurses	11	6,300
Aides	3	2,160
Technical and administrative personnel	13	22,380
Clerks	1,139	1,002,450
Attendants	15	12,380
Grand total	2,222	2,922,186

NOTE.—Medical personnel as given above does not include officers of the Regular corps.

"Home office" and "Field"—Total personnel hospital division, United States Public Health Service, as of Mar. 1, 1920.

[Appropriation: "Pay of personnel and maintenance of hospitals, Public Health Service, 1920."]

Designation	Marine Hospital Division (Washington).		Field.		Total.	
	Number	Total annual salaries.	Number	Total annual salaries.	Number.	Total annual salaries.
Medical personnel:						
Assistant surgeon generals			2			
Senior surgeons	4		6			
Surgeons	7		85			
Passed assistant surgeons	2		187			
Acting assistant surgeons	6		901			
Assistant surgeons			58			
Attending specialists			487			
Internes			31			
Total	19	$70,396	1,757	$4,886,470	1,776	$4,956,866
Nurses	2	4,110	919	675,600	921	679,710
Dietitians	1	2,400	61	57,840	62	60,240
Technical and administrative assistants	11	21,820	336	339,430	347	361,250
Clerks	172	209,470	1,400	1,276,216	1,572	1,485,686
Attendants	37	22,440	3,200	1,733,176	3,237	1,755,616
Total	242	330,636	7,673	8,968,732	7,915	9,299,368

NOTE.—Medical personnel as given above does not include officers of the regular corps.

APPROPRIATIONS MADE FOR 1920.

The CHAIRMAN. If we give you your estimate, you will have had this year $18,300,000.

Dr. STIMPSON. Yes, sir.

The CHAIRMAN. You are only asking for $10,000,000 in the sundry civil bill for the next year. I suppose you expect to introduce economies in the next year that will very largely reduce your present rate of expenditure. Is that correct?

Dr. CUMMING. As far as possible, but not enough to account for the difference between present expenditures and necessary expenditures and the estimate of $10,000,000. That is entirely underestimated.

The CHAIRMAN. It is underestimated?

Dr. CUMMING. I think so, based on past experience.

The CHAIRMAN. How much is it underestimated, Doctor?

Dr. STIMPSON. I should think we ought to have at least what we have this year, because we are bound to have more patients next year than this year.

The CHAIRMAN. But next year, of course, you will not need as large an amount for repairs.

Dr. STIMPSON. There is only a small amount in this bill for repairs, only $225,000.

The CHAIRMAN. But you had $500,000 before that for repairs, and you must have paid out a considerable amount before that, so that in all you paid out about $1,000,000 in repairs.

Dr. LAVINDER. But we are opening more hospitals all the time.

The CHAIRMAN. Doctor, in the estimates of the War Risk for next year in the sundry civil bill they are asking for $1,000,000 for hos-

pitalization and a large sum for the care of the insane. In this arrangement that you have just concluded with the Bureau of War Risk, what arrangement has been made different from that which obtained when these estimates were made that will make it necessary to give you more money for hospitalization or care of the insane and less to the Bureau of War Risk Insurance, if any?

Dr. CUMMING. We have taken over the payment of all hospital cases for them.

The CHAIRMAN. And care of the insane?

Dr. CUMMING. Everything; yes, sir. I do not know why they would deed that unless——

The CHAIRMAN (interposing). I wish, Doctor, you would take the matter up with the director of the Bureau of War Risk Insurance and write me a letter with regard to the matter, so that we may understand the direction in which we are traveling in this respect. I would like to have the letter to put in the record and have it fully explain the estimates of the Bureau of War Risk Insurance. In writing that letter, I want you to keep in mind the statement that was made by the director of the Bureau of War Risk Insurance on February 7 in explaining the estimates of the Bureau of War Risk Insurance, in which he said:

> We have an estimate of $10,950,000 for the care of the insane, estimating 12,000 payments at $912.50 per year per patient, or $2.50 per day. We are estimating $1,900,000 for medical examination, of which we estimate there will be 300,000 at an average of $3 per examination and 100,000 at an average of $10 per examination. We are estimating $4,900,000 to cover traveling expenses covering about 600,000 trips at an average of $8 each. We are estimating $1,030,000 for supplies, including artificial limbs, trusses, wheel chairs, eyeglasses, etc. Then we are estimating $1,000,000 for hospitalization which makes the total estimate, etc.

I wish you would take that statement up with the director of the Bureau of War Risk Insurance and then advise me which of those amounts specified there will be paid for by the Public Health Service and to what extent the Bureau of War Risk Insurance will be relieved from the payment of it, so that in adjusting your needs we can keep in mind the actual demands of the Bureau of War Risk Insurance.

Dr. CUMMING. Yes; I will do that.

Dr. LAVINDER. Mr. Chairman, may I add a word concerning the 15 per cent additional over the estimates actually made to allow for a possible increase in the rate of progress of our expenditures. Of course, I do not know just when Congress will adjourn, but if we find ourselves minus moneys toward the end of this fiscal year, we will be unable to take care of the discharged soldiers.

The CHAIRMAN. We are going to be here, Doctor, and we are going to have a deficiency bill at the end of the year.

Dr. LAVINDER. Oh, that is different. I was afraid we would be caught without Congress in session and with insufficient funds, because the rate of progress is very likely to slide up and our estimates to be under what will be required.

The CHAIRMAN. If you had a small deficit, that would be carried into your bills of next year, would it not?

Dr. STIMPSON. I was just going to ask you about that. Suppose we had bills in August which had been contracted in May and June of this year, and we had no money to pay them.

The CHAIRMAN. You mean you would have to have a provision in the sundry civil bill making the appropriation immediately available.

Dr. STIMPSON. Or some way in which we could pay from the sundry civil bill, bills contracted in the previous year that had not been paid. If we could do that we would be all right.

The CHAIRMAN. You will know by the 1st of June just where you stand.

Dr. STIMPSON. It is very difficult for us to tell about these bills, because they sometimes come in six months afterwards.

SATURDAY, APRIL 10, 1920.

DENVER (COLO.) MINT.

STATEMENT OF MR. RAY T. BAKER, DIRECTOR OF THE MINT.

WAGES OF WORKMEN.

The CHAIRMAN. For the mints and assay offices, you are asking in House Document 714 a deficiency appropriation of $16,500. You had an appropriation for this year of $100,000. How have you been getting along with that appropriation?

Mr. BAKER. On the 25th of March I sent a letter to the Secretary of the Treasury recommending that an urgent deficiency appropriation in the sum of $16,500 be requested for wages of workmen at the Denver Mint for the fiscal year 1920. This appropriation is required for the reason that the wage fund of the Denver Mint has been depleted by the necessity of operating the mint on a 24-hour basis for about four months, and we could not meet this abnormal demand for coinage in any other way. Under date of November 18, 1919, in accordance with section 3679 of the Revised Statutes, as amended by the act of February 27, 1906, I applied to the Secretary to waive the monthly apportionment in the use of the wage fund, and the amount now asked for is the least that will be required to keep the Denver Mint operating on an 8-hour basis for the balance of the fiscal year.

I started overtime on November 18, 1919, keeping the coining room working 24 hours and the other departments as much as was required to keep the coining room operating 24 hours. Our regular appropriation for the fiscal year 1920 amounted to $100,000, an average of about $8,300 a month. We expended on temporary labor and overtime, November 18 to the end of February, $18,854.93. Our approximate monthly pay roll for November was $12,000, and for December, $13,000, January, $14,400, and February, $11,900. The coinage for the calendar year 1919 at the Denver Mint was 78,208,000 pieces. During nine months of the current fiscal year we have coined 73,557,000 pieces. During the fiscal year of 1919 we coined 55,114,400 pieces. There has been such an excessive demand for the coinage of the 1-cent piece, owing to the luxury tax and the increase in railroad fares and increases in prices of newspapers, etc., that we have had to meet this demand by keeping on overtime.

The CHAIRMAN. How many pieces did you say you had coined thus far this year?

Mr. BAKER. For the nine months of the current fiscal year 73,557,000 pieces, and last year, in the calendar year, we coined 78,208,000 pieces.

The CHAIRMAN. How about the other mints?

Mr. BAKER. I think I will be able to get through at the other mints on account of having South American coinage, which helps us out.

The CHAIRMAN. Are you coining as much at the other mints as you coined during the last calendar year?

Mr. BAKER. Yes, sir; just as much. The demand, Mr. Chairman, has not decreased at all. During this portion of the year the money generally comes back into the Subtreasuries and we gat a chance then to have a surplus by keeping the mints running regularly, so when the larger demands come in we are able to meet them, but, for instance, yesterday we were $368,000 behind on our deliveries.

The CHAIRMAN. You think, then, you will need all this money for the rest of this year?

Mr. BAKER. I am trying to prevent asking for a deficiency. While this is virtually a deficiency, if I do not get this money it will necessitate my closing down the institution, because I can not operate it otherwise.

The CHAIRMAN. And you have orders for additional coins that will require the capacity of the Denver Mint running on an eight-hour basis for the rest of the fiscal year?

Mr. BAKER. Yes; and this will see me right through.

SATURDAY, APRIL 10, 1920.

POST OFFICE DEPARTMENT.

STATEMENT OF MR. T. J. HOWELL, ASSISTANT CHIEF CLERK, POST OFFICE DEPARTMENT.

PRINTING AND BINDING.

The CHAIRMAN. Mr. Howell, you are asking a deficiency of $150,000 for printing and binding?

Mr. HOWELL. Yes, sir.

The CHAIRMAN. You have already had a deficiency of $150,000 for this year?

Mr. HOWELL. Yes, sir.

The CHAIRMAN. What seems to be the matter?

Mr. HOWELL. That is due to the new law, as I told you before. Our regular appropriation for 1919 was $290,000, we secured a deficiency appropriation of $100,000, making $390,000, and then this new work that we have had to have done at the Government Printing Office amounts to $283,000; that runs over $600,000, and already we have had $450,000. When I was here before I stated that we thought $150,000 would be enough, because the work was coming in very slowly—that is, this new work—but since then our requisitions have averaged around $56,000 a month, and at the present time the

Public Printer is holding up $59,000 worth of work at the Government Printing Office.

The CHAIRMAN. Because you have not the funds?

Mr. HOWELL. Yes, sir.

The CHAIRMAN. What is the nature of that work?

Mr. HOWELL. It is work that was formerly performed in our field printing offices, forms and blanks used by these different offices and offices in the surrounding territory. Of course, a part of the increase would be due to the increased cost of paper.

The CHAIRMAN. The law to which you refer, under the operation of which you are forced to come for a deficiency, is the one which requires all the printing and binding to be done at the Government Printing Office?

Mr. HOWELL. Yes, sir.

The CHAIRMAN. Formerly you did a great deal of the printing at about 15 of your offices?

Mr. HOWELL. Yes, sir. At 16 of our field printing offices. Of course, the Joint Committee on Printing has the authority to permit us to do the printing that we used to do at these field offices if they so desire, and, as a matter of fact, we have a request pending before the committee to allow us to do the same amount and character of printing we formerly did at these field printing offices.

The CHAIRMAN. How much have you invested all told in plant at these offices?

Mr. HOWELL. Over $100,000.

The CHAIRMAN. Under the law you are not able to use any of that property?

Mr. HOWELL. Yes, sir; we are using that for emergency work; the joint committee is permitting us to use those offices for emergency work.

The CHAIRMAN. But you can not use those offices without the permission of the Joint Committee on Printing?

Mr. HOWELL. They have given us blanket authorization to print what is known as emergency work but we can not print a lot of work that we used to do there; we have to bring that to Washington, and that is the reason why we have to ask for an increase in appropriation.

The CHAIRMAN. How much of this appropriation is necessary because of the operation of that law?

Mr. HOWELL. This is the first year under this law and we are more or less up a tree. We have an estimate from the Government Printing Office as to the amount of this new work, which is $283,000.

The CHAIRMAN. Are you going to need all of this $150,000?

Mr. HOWELL. The way it looks now we certainly will. As a matter of fact our requisitions are going into the Government Printing Office at the rate of $56,000 a month. That would figure up $679,000, and if we get this deficiency we will only have $600,000. If the Public Printer keeps up his present rate of delivery he will only have delivered $433,946 for the year, but he claims he is going to increase that delivery, and he always does during June; he speeds up on his deliveries at that time. We have work over there and at the present time we are embarrassed because we have had to suspend a lot of work on some requisitions in order to get through rush jobs.

The CHAIRMAN. Is your cash practically exhausted?

Mr. HOWELL. It is exhausted, yes, sir. As I have said, we have $59,000 worth of work that the Public Printer is holding up on us, and in order to get anything through the Government Printing Office we have to suspend requisitions and take that money to put through other more important requisitions.

The CHAIRMAN. Have you any other item for which you are asking an appropriation?

Mr. HOWELL. Yes; the Postal Guide and also heat, light, and power for the new post-office building.

The CHAIRMAN. Have you made an estimate for those items?

Mr. HOWELL. Yes, sir.

The CHAIRMAN. Has that estimate been transmitted?

Mr. HOWELL. It has been approved by the President and the Treasury Department ought to get it down here to-day.

WASHINGTON, D. C., CITY POST OFFICE, HEAT AND LIGHT.

The CHAIRMAN. How much are you asking for heat, light, and power?

Mr. HOWELL. I am asking for $8,000. We have an unexpended balance at the present time of $2,402.70, and if we do not get this appropriation right away the Public Printer will cut off our heat, light, and power like he stopped our requisitions for printing.

The CHAIRMAN. How much does your heat, light, and power cost per month?

Mr. HOWELL. It varies. During July and August it was $6,098; during September it was $2,722; during October, $3,499; during November, $4,631, and during December and January, $11,035; during February it was $5,109 and March, $4,500, in round numbers. You see, Mr. Chairman, this is the first year we have had this appropriation, and the only way we were able to arrive at an estimate was that we had to base it on a statement we received from the Government Printing Office as to the exact cost of the service for the previous fiscal year, 1918.

Since 1918 the cost of heat, light, and power has gone up and, furthermore, during this present fiscal year we have erected a new garage in the rear of the new City Post Office Building, eliminating a rental in the city of Washington of $9,187.46 per annum, and the heat, light, and power for that garage is furnished out of this appropriation. So this deficiency is due to increased consumption and increased cost of heat, light, and power.

The CHAIRMAN. For the next three months you will only have light and power and will need no heat?

Mr. HOWELL. No, sir. We have cut right down to the bone; we have the March bill, and we figured July, August, and September as representative months on which to base and estimate.

The CHAIRMAN. You have paid the March bill?

Mr. HOWELL. Yes, sir.

The CHAIRMAN. And you have $2,000 left?

Mr. HOWELL. Yes, sir.

The CHAIRMAN. And if we gave you $8,000 you would have $10,000 for three months?

Mr. HOWELL. Yes, sir.

The CHAIRMAN. And during those three months you would not have any heat, whereas during the months of January and February you were only paying out $4,500?

Mr. HOWELL. But so far this month we have had full steam over there, because it has been awfully cold and we do not know how long this weather is going to keep up. As I have said, this deficiency is due to the reasons I have just mentioned. We have taken every action we possibly could to cut down the consumption. Our messengers, before they leave at the close of business each day, turn off all the electric lights and power, our watchmen check them up, and it is a part of the duty of our engineers to make daily inspections of the building; furthermore, down in the basement of the city post-office building, where we burn lights all day, we have put in individual chain pulls, so that instead of lighting seven or eight lights on a switch we now have these chain pulls, thus further curtailing the use of electric current. I have one more item, and that is on the Postal Guide.

POSTAL GUIDE.

The CHAIRMAN. For which you are asking $7,000?

Mr. HOWELL. Yes, sir.

The CHAIRMAN. Do you need that right away?

Mr. HOWELL. Yes; we do, and for this reason: That our balance is only $964. This increase is due to the fact that under authority of section 4 of the Postal Service act for the fiscal year 1919, approved July 21, the Postmaster General readjusted the compensation of the contractor for the publication of the Official Postal Guide, and that additional compensation amounts to 28½ per cent.

The CHAIRMAN. Of course, all it means is simply that the bill will be deferred if you do not get the money until the 1st of June?

Mr. HOWELL. That is all it would mean as to the Postal Guide.

The CHAIRMAN. That will have to wait.

Mr. HOWELL. To wait for the two other items would seriously embarrass us, but the contractor can wait until June if necessary.

FRIDAY, APRIL 9, 1920.

HOUSING CORPORATION.

STATEMENTS OF MISS HARLEAN JAMES, MANAGER, HOTEL FOR GOVERNMENT WORKERS; MR. W. J. BISSELL, AND MR. W. L. SOLEAU.

GOVERNMENT DORMITORIES, WASHINGTON, D. C.

The CHAIRMAN. You are asking a deficiency for the Government Hotel for Government workers in Washington, of $300,000 for the rest of this year?

Miss JAMES. Yes.

The CHAIRMAN. You had an appropriation of $700,000?

Miss JAMES. Yes, sir.

The CHAIRMAN. Have you expended all of that?

Miss JAMES. We have just done so.

The CHAIRMAN. That has all been expended for the running of the hotel in Washington.

Miss JAMES. For operation.

The CHAIRMAN. By operation you mean the purchase of all supplies of food, etc., the payment of all labor and the expenses incident to the operation of the hotel?

Miss JAMES. Yes, sir. This is a chart of the receipts and expenditures up to the 1st day of March. This is the beginning of this fiscal year. [Indicating on chart.]

The CHAIRMAN. I will ask you to put in the record a statement, such as you have here under the head of summary, giving your revenues, expenses, and what you call reserve from July 1, 1919 to the 1st of March, 1920.

Miss JAMES. Very well. That is on the chart, but what you would like is a separate sheet of paper?

The CHAIRMAN. For the record; yes. What do you mean by reserve?

Miss JAMES. We mean that is the difference between our expenses and our receipts, but it is not to be supposed that replacements will not have to be made as the hotels grow older. In our first months of operation, of course, our replacements are likely to be less than as time goes on.

The CHAIRMAN. That is to say, for the month of July your revenues amounted to $83,691.86 and your expenses $78,701.17, which meant a net revenue—which you call a reserve—of $4,990.69?

Miss JAMES. Yes, sir; although those figures, you must understand, are not cash; that is, in the receipts and expenditures include living allowances in addition to the cash that we handle, so that if you added up the expenses they would amount to more than was expended against the appropriation.

The CHAIRMAN. I do not understand.

Miss JAMES. We pay our employees in cash and living allowances, and of course the pay roll is charged with the full amount. The living allowances, either room or board, are credited to the departments furnishing those living allowances, and these totals include those, so that if you add the expenditures you have an amount larger than was charged to the appropriation.

The CHAIRMAN. Do you mean to say that for the month of July you did not actually receive $83,691.66 in cash?

Miss JAMES. That is exactly what I mean to say, yes; because included in that are living allowances.

The CHAIRMAN. To whom do you give living allowances?

Miss JAMES. We give living allowances to quite a large number of our employees. This is a carbon copy of a list which I believe has been furnished to you, and from that you will see we pay partly in cash and partly in living allowances, room and board. On the chart here are shown actual cash expenditures, receipts, and expenditures, but this is a cumulative table instead of one by the month, and these amounts up here [indicating] show our receipts, show the appropriation we have requested at the beginning of the year, show the expenses we have paid, and the appropriation that we received. This is the appropriation that we received [indicating]; this dotted line is what we have requested, and you see this line in here [indi-

cating], which follows it so closely, is what we have spent. We have lived up to our budget made at the beginning of this year very closely, and our receipts are, as you may see here, always well in advance of our expenditures.

The CHAIRMAN. You do not have a statement showing in dollars and cents the actual cash received?

Miss JAMES. This shows the actual cash [indicating].

The CHAIRMAN. That is the statement I would like to have you put in the record, so that we may have the actual cash and then the incidental allowances made in the way of living.

Miss JAMES. Very well. This, of course, shows that [indicating]. It is cumulative, however.

The CHAIRMAN. Not by months?

Miss JAMES. Not by months; but, of course, it could be prepared that way.

The CHAIRMAN. So far as your requirements are concerned they are reflected in this table because you do not actually pay out cash in salaries as reflected in the table of actual cash payments; that is, you deduct from the salary of a person, if the living allowance is $60 a month, the $60 a month, or do you pay them the full cash and have the person pay back the required amount?

Mr. JAMES. No; it is a book transaction; but, of course, the theory is that it is paid out and is paid back.

The CHAIRMAN. The first person appearing on this list is the general manager who receives cash per month $375 and an allowance for room and meals per month of $120, a total of $495. As I understand, that person only receives in cash $375?

Miss JAMES. You are correct.

The CHAIRMAN. And that is true as to all the others?

Miss JAMES. Yes, sir.

The CHAIRMAN. So this table of your summary does reflect just what you will need in appropriations?

Miss JAMES. Yes, sir. I think this is the table [indicating] which reflects what we will need. This is the sheet that shows what we will need, and we have this far to go [indicating].

The CHAIRMAN. When did your funds become exhausted?

Miss JAMES. About the 1st of April. I say about because, of course, with bills due and the pay roll coming in we drew our last money.

The CHAIRMAN. Then you have about 90 days left?

Miss JAMES. Exactly; three months.

The CHAIRMAN. Your expenses have averaged from $78,701 in July to $92,779.99 in February?

Miss JAMES. Yes, sir. But, you see, we are giving a very much larger service, that is, we are giving service to a much larger number of guests than was contemplated when we started. We have released rooms that were formerly used by employees in order to house more guests.

The CHAIRMAN. What do you mean by housing more guests?

Miss JAMES. Well, I mean that we had a whole house at one time occupied by our employees, but we now employ people who live here in town and who live in their own homes and have released those rooms until now we have 150 rooms in use for the Government employees who are our guests that we did not have on the first of

July, and 50 of those have been made available since the 1st of January.

The CHAIRMAN. I wish you would put in the record a table showing by months the number of employees housed in the hotel and also the number of guests housed, as you term them?

Miss JAMES. We call the Government employees who live with us and pay board our guests, and when I speak of employees I mean our employees.

The CHAIRMAN. I desire that statement so that the committee may have before it a statement showing the actual number housed each month, whether Government employees whom you term guests, and who are not connected with the running of the hotel, and the employees of the hotel who are engaged in running it or otherwise.

Miss JAMES. Very well.

Statement showing deficiency appropriation needed for operation of Government hotels.

[Based on number of guests and employees housed and served meals, together with cash earnings, operating expenses, and reserve for first 8 months of the fiscal year 1919-20 and estimated numbers and amounts for remaining 4 months of the fiscal year. The reserve is the amount of money which will be deposited in the Treasury of the United States above all expenses incurred.]

1919-20	Number guests housed.	Number employees housed.	Number guests' meals.	Number employees' meals.	Cash earnings.	Cash operating expenses (not disbursements).	Reserve.
July, 31 days	1,764	136	1,515	330	$74,356	$69,365	$4,990.69
August, 31 days	1,821	135	1,542	314	76,594	73,546	3,048.58
September, 30 days	1,825	136	1,605	316	78,056	70,980	7,075.41
October, 31 days	1,836	134	1,846	331	85,404	77,391	8,012.97
November, 30 days	1,834	123	1,820	315	83,927	81,554	2,372.80
December, 31 days	1,827	79	1,689	312	80,083	[1] 79,079	1,004.06
January, 31 days	1,890	81	1,866	335	86,266	88,388	-2,121.27
February, 29 days	1,878	69	1,842	329	85,701	[2] 85,543	158.27
March, 31 days	1,885	76	1,888	319	87,058	[2] 85,500	[2] 1,558.00
April, 30 days	[3] 1,880	[3] 75	[3] 1,875	[3] 320	[3] 86,000	[3] 84,500	[3] 1,500.00
May, 31 days	[3] 1,880	[3] 75	[3] 1,860	[3] 320	[3] 86,000	[3] 83,500	[3] 2,500.00
June, 30 days	[3] 1,880	[3] 75	[3] 1,850	[3] 320	[3] 85,500	[3] 83,000	[3] 2,500.00
Increase	121	....	373	....	994,945	962,346	32,599.51
Stores on hand June 30, 1920, and paid from appropriation (not included above)						25,000	....
						987,346	....
Less amount previous appropriation						700,000	....
Deficiency appropriation needed						287,346	....

[1] Reduction in expense due to saving in supplies when guests were away on Christmas vacation.
[2] Short month—supplies run over $1,000 a day.
[3] Estimated.

No allowance for contingencies.

NOTE.—Progressive reduction on coal may be expected, but April, May, and June are not cheap months for supplies. Little home garden truck is available before July. The cheaper months are July, August, September, and October.

Mr. CANNON. Do you not think you should get, so that it will not be locked up in figures, the outgo and the income?

Miss JAMES. Of course, that is shown on these different tables.

Mr. CANNON. You have figures showing that?

Miss JAMES. Yes, sir.

Mr. CANNON. And then, if you have not the information in some form in the hearings, I think you should have the number of employees and their pay.

The CHAIRMAN. We have that information. How about the allowance for room and meals for your employees for whom you do not provide quarters in the hotel?

Miss JAMES. Of course, if we do not furnish rooms the amount paid either covers cash and two or three meals, as the case may be, or a cash payment alone. I mean, some of our employees are paid cash only, some are paid cash and lunch, some are paid cash and two meals, some are paid cash and three meals, and some are paid cash and room and meals, according to the kind of work they do and the hours they need to be in the plant. The rule we have made about housing people in the plant has been that if it seemed that the work from the plant standpoint would require certain persons to be housed in the plant that we would house them; that if their work did not require that we would hire somebody who lived in town. I mean, we have not housed people for their convenience.

The CHAIRMAN. You do not expect that the cost for the service will amount to the same during April, May, and June as it did in January, February, and March, when the weather was severe?

Miss JAMES. The only possible difference will be in firing and the laborers in the firemen's department are put on the grounds in summer, so that it is a very small difference so far as the pay roll goes, but there is a larger difference as far as coal goes.

The CHAIRMAN. That is what I meant, and the cost of heating is all reflected in this summary of expenditures?

Miss JAMES. Yes; but you see, during the winter months how closely we have run; we expect that during the next months it will open up to some extent as it did here, but we have taken that into account.

The CHAIRMAN. Have you paid all of your outstanding bills?

Miss JAMES. All except the March bills. We have tried to take advantage of paying promptly in order to get the best possible rates, and I believe we have a reputation for paying our bills promptly.

The CHAIRMAN. Have you more people whom you are housing and feeding, all told, than you had during the months of August, September, and October?

Miss JAMES. No; we have less.

The CHAIRMAN. Then why do you feel it will cost more——

Miss JAMES (interposing). Because we have more guests.

The CHAIRMAN. But whether they are guests or employees they all eat?

Miss JAMES. Yes; but it is not only eating. The employees we formerly housed were waitresses in the dining room and they looked after themselves; they served themselves in the kitchen and looked after themselves, but when we put guests in those rooms we had to provide service, and, of course, service represents a large amount. For instance, it costs us about $18 a month for actual food supplies for one of our guests in the dining room, and it costs about from $12 to $13 a month for the service—that is, the cooking of it, the serving of it, and all of that.

The CHAIRMAN. About $30 a month?

Miss JAMES. Yes.

The CHAIRMAN. That would represent the expense of securing the food and the serving of the food?

Miss JAMES. Yes, sir.

The CHAIRMAN. Then you have $15 a month left for the room?

Miss JAMES. But, you see, we do not charge rental; we only charge for the service we give. What I mean to say is that it costs about that to provide hot-water service and to provide house service. Each one is a little hotel of 162 people, and it costs that to provide the maid service and the other service of all kinds in the house.

The CHAIRMAN. Then it costs you about 50 cents a day to provide for the cleaning of a room, laundry, hot-water service, and electric lights?

Miss JAMES. Yes, sir. I have here a set of unit costs on that if you are interested. For the first six months we have a complete list of unit costs for both food and rooms together. These are our guests and these are our employees housed or paid [indicating], according to whichever method is followed.

The CHAIRMAN. If it is actually costing that much, how can a person who has a house in the District of Columbia and rents rooms—and the rent, I take it, for small rooms such as you have would not average more than $15 a month during normal times, at least—pay rent, provide heat and light, and at the same time make a living out of their operations?

Miss JAMES. In the first place, I have never seen a room of any size in Washington that could be rented for $15; in the second place, I do not believe that in any of these rooms they provide hot water service in the rooms.

The CHAIRMAN. But before the war I remember picking up newspapers and reading in the want columns thousands of advertisements——

Miss JAMES (interposing). Of course, but values have changed since then.

Mr. SOLEAU. Conditions have very materially changed. If you have followed the hearings in connection with the Monmouth Hotel Apartment before the Rent Commission you have noticed that a furnished apartment was renting for from $80 to $90 a month, to provide for three members of a family, while as a matter of fact they were stowing them away in such an apartment to the number of nine or ten.

The CHAIRMAN. I am not discussing that; I am discussing a prewar condition. Of course, I understand that now things cost more, but I am not taking into consideration the profiteering which was going on and which nobody can justify. What I was trying to get at was this: That with coal costing more and these rents being higher I could not see how those people could make a living by renting rooms if the costs were anywhere near your costs.

Miss JAMES. Do you know that they made money out of the transaction?

The CHAIRMAN. They made a living, certainly.

Miss JAMES. Were they not making wages?

The CHAIRMAN. Well, I do not know about that.

Miss JAMES. Most people who operate houses for themselves do not pay themselves any wages and if they have anything of a living out of it they call it a profit, whereas it properly is not a profit, I mean, they make nothing on the investment; they put in all their time and if they get small wages out of it they think they are doing well.

The CHAIRMAN. During the months of April, May, and June, or during most of that time, you will get fresh vegetables from the hucksters?

Miss JAMES. And potatoes at $4 a bushel now.

The CHAIRMAN. But that condition is bound to change. You will commence to buy peas, beans, and beets from the gardens around Washington. I do not know what the experience of the Housing Corporation is but it is generally understood that living costs decrease with the coming in of fresh vegetables, especially when the vegetables are grown in the community. Now, with that factor, and also with the factor that you will not have to buy coal during these months, I can not understand why you are going to need more money than you were expending during the months of August, September, and October?

Miss JAMES. Because we are serving room and board, in the first place, to a great many more people.

The CHAIRMAN. You are not serving board to any more people?

Miss JAMES. We are serving more people in the dining room than formerly.

The CHAIRMAN. And it would seem to me it would cost you more to feed them out of the dining room, where they could only have a certain portion, whereas those who ate in the kitchen could have a great deal more.

Miss JAMES. Would you like to take up the provisions first? Of course that is only one item.

The CHAIRMAN. You are asking for approximately $100,000 a month, whereas in August, September, and October it only cost you approximately $80,000 a month?

Miss JAMES. Yes; but nowhere have we taken into account in these monthly expenditures the stores which we carry and do not use. Now, we will have to turn over—we are going to cut them to the minimum—in order to keep in operating form a certain number of stores that will run somewhere between $15,000 and $25,000, according to the best we can do. We carry stores in our mechanical department for repairs; we have miles of pipe line over there and we have a very difficult mechanical proposition in maintenance; we carry a small amount of housekeeping stores; we carry, of course, some food stores, canned goods and otherwise, and we expect to reduce that from something like $40,000, which it was a month or so ago; we are constantly reducing it to as low an amount as is practical. That is one thing. The other thing is that if you will take our monthly expense for our late months—that is, since we have been running under full blast, you will find that if you multiply that by 3 and add the stores and some unpaid March bills that we will be expending just about what will carry us through. It is our intention always to keep our expenses under our receipts.

The CHAIRMAN. I notice you are already commencing on the downward grade and it seems to me the conditions would warrant that you should continue on down until you get down in July, perhaps, to where you were last August?

Miss JAMES. But we will never get to where we were last August because we are serving more people.

The CHAIRMAN. You are serving more people in the dining room but you have practically the same number of people.

Miss JAMES. But, of course, our provisions are less than half of our whole expenditures, I mean, our foodstuffs. Suppose we do save $2,000 a month on our food bills and on vegetables, that is not going to make a very appreciable difference in our total expenditures for service.

COST OF COAL.

The CHAIRMAN. What did your coal cost you per month during the winter months?

Miss JAMES. Of course, the coal has varied. What was our highest coal bill?

Mr. BISSELL. Around $5,000.

The CHAIRMAN. That is cut out?

Miss JAMES. It is not cut out yet but will be. Our lowest coal bill will run about $1,200 to $2,000, because we furnish hot water all during the summer months, so that we will always have a coal bill.

The CHAIRMAN. If it costs you $2,000 to furnish hot water it must cost you more than $5,000 in January to furnish hot water and heat?

Miss JAMES. It is not hot water alone but we furnish steam in our kitchen to cook with. We have five boilers and we run from two to three of them all the year round, and in the winter we put on from two to three more, so that the heat we supply costs us something. There will be some saving on that, but you will notice that for January our expenses actually ran a little over our receipts, that is, for the highest winter months. We were pretty closely pressed to get through the coldest months, so that we have a little to make up on the wrong side of the books before we are going to save anything.

The CHAIRMAN. You took over a whole lot of stuff, about $40,000 worth?

Miss JAMES. Yes, sir.

The CHAIRMAN. How much of that represented grocery supplies?

Mr. BISSELL. But we paid for those.

Miss JAMES. And they are reflected in these expenses as they were used.

Mr. SOLEUA. They were acquired under the policy of the Housing Corporation to reimburse the old funds——

The CHAIRMAN (interposing). But they have all been paid for with money of the United States?

Miss JAMES. But not accounted for in here.

The CHAIRMAN. Do you now want money with which to reimburse the Housing Corporation?

Mr. SOLEAU. No. Prior to the current fiscal year there was a certain amount of stock and that was inventoried at the close of the fiscal year, and Congress directed us to make application for an appropriation to run the hotel during the current fiscal year. Now, to do that honestly and in a straightforward business way we took those stores over at their cost value and deposited in miscellaneous receipts the money belonging to the Housing Corporation, because the act of Congress provided that all of our unexpended balances should be deposited in the Treasury. Now, Mr. Chairman, if they had been used it would have been equivalent to raising the appropriation for the current fiscal year to the amount of the inventories.

The CHAIRMAN. As I understand, you are cutting down your inventories?

Miss JAMES. If we succeed in cutting our inventories to $25,000, say, for all stores, mechanical and household supplies, we would then, out of this $300,000, be asking for an appropriation of $275,000, which, after paying some March bills, would be at an average of about $85,000 a month. Now, what will happen to us if we are not allowed enough to meet the expenses in the next three months? It will merely mean that within 90 days we shall have to come back here again. We have no method of predicting exactly ahead, but we think that in view of the fact that we have predicted very nearly for a period of eight months that our judgment ought to be considered over the next period. You see, this was our prediction for the year and we have kept this near to it, and the reason we have run that much over is because, as I say, we are taking in that much more money than we expected from our extra guests and have to provide that extra service. It is our intention, if we are permitted, to operate for the next three months with exactly the same economy that we have exercised throughout the year, reducing each month as far as conditions will allow, and finish up at the end of the year with as close figuring as we can, always keeping our receipts over our expenses.

But, frankly, I hardly believe you, as a business man, would want to trust yourself on getting through with less than we are asking if you knew you had to come back within 90 days and ask for more in case you did not have enough to go on. I think that may be a very few thousands one way or the other; I would hope, in fact I know, we shall not spend every cent given to us, but I should not feel safe to enter the the next three months unless I knew I could meet the expenses that we would have to incur, because we can not suddenly make cuts in our expenses. We have emergencies to meet from time to time, such as the electric lights going out, as they did the other day. Such as the steam main bursting as it did the other day. These are things you can not control. For instance, there was the influenza epidemic which we met, as you will see here, at a cost of something over $3,600.

The CHAIRMAN. How did that affect your expenses?

Miss JAMES. It added just that much to our expenses. We have, as you know, a small infirmary down there, and at the time of the influenza we had 220 quite severe cases of influenza, outside of the girls who stayed in their rooms. We organized and expanded our infirmary, set up 54 beds in our recreation hall, and cared for the people who lived with us, and while we had some very severe cases of pneumonia we did not lose one life. We feel that we gave a very valuable service to our girls, but it was an unexpected expenditure that could not be predicted.

The CHAIRMAN. You say you are giving more service; are you employing more people than you did before when you housed your own employees?

Miss JAMES. I think we are employing a few more people than we did then. We have made cuts in some departments where it is not controlled by the number of people served. For instance, in the building which we have opened to guests we have put on housemaids and people in that building to serve those guests.

The CHAIRMAN. Then that brings us back again to the question, if you are only employing a few more people than you employed then,

and you are feeding practically the same number, when you take into consideration the dining room——

Miss JAMES (interposing). Oh, but you miss one point; we are still feeding all those employees but we are not housing them.

The CHAIRMAN. I understand that.

Miss JAMES. Just one moment; I want to get the thing clear. In the beginning we had 11 houses open to guests and we had a certain number of employees housed there who were furnished with room and board. Now we have those same employees living out and we furnish them board and in addition to furnishing them board, we board about 150 people more who are our guests. Does that clear up the matter, that there are now 150 more people being fed?

NUMBER OF GUESTS—NUMBER OF PEOPLE EMPLOYED.

The CHAIRMAN. How many guests do you have?

Miss JAMES. We are running now about 1,875 guests.

The CHAIRMAN. How many people all told have you employed who give service to those guests?

Miss JAMES. It varies, of course, a little from time to time, from 500 to 520 people.

The CHAIRMAN. That is, on an average you have one person employed for about every three and a half?

Miss JAMES. Yes; and I am glad you brought that up, because in our method of operation down there there are a good many things paid for on the pay roll that would normally be purchased as an outside service. For instance, we have, of course, our own central heating plant and we furnish our own hot water; we have our own laundry and do our own laundry work there instead of having it done in the city. We have our own refrigeration and furnish our own ice, so that there are a good many things which normally in a hotel or in some hotels, at least, would be charged up on special bills for service which are taken care of with us partly by pay roll and supplies.

MEDICAL SERVICES.

Mr. BYRNES. Referring to the expense due to the influenza or to the extension of your infirmary, do you furnish medical attention to your guests free of charge?

Miss JAMES. We do not furnish medical attention per se at all. We have a small infirmary which is manned by a nurse with one or two assistants, and we operate there with a small dispensary. We do not consider that it is furnishing it free of charge because everything furnished there is paid for by the money that the guests pay in. That is simply one of the services given for the $45 a month.

Mr. BYRNES. That is what I wanted to know, whether the $45 included not only board and lodging but medical attention.

Miss JAMES. Not medical attention, but nursing attention. We do not prescribe or have anything to do with the doctor. The person must employ her own doctor.

Mr. BYRNES. Infirmary care, then.

Miss JAMES. Yes; infirmary care or care in the room.

Mr. BYRNES. Do you furnish the medicines also?

Miss JAMES. Just simple remedies such as you would have at a dispensary.

The CHAIRMAN. Peruna and things of that kind.

Miss JAMES. There are no prescriptions filled for the doctor. If you go to a doctor and the doctor gives you a prescription you go to the drug store, but if you came in to have your ears syringed out, the syringe and whatever is necessary to put in it would be probably provided at the dispensary.

LAUNDRY.

The CHAIRMAN. How about the laundry, do you do just the laundry work for the hotel proper or for the guests?

Miss JAMES. We do laundry work for such of the guests as care to patronize the laundry. It runs between five and six hundred dollars a month or seven hundred dollars a month, I think it amounted to during the summer months when the laundry was heaviest.

The CHAIRMAN. Are your rates the same as commercial rates for the laundering?

Miss JAMES. No; we try to do it at about cost. You can not exactly tell what the cost for such a service is.

The CHAIRMAN. How do your rates compare with what they would have to pay on the outside?

Miss JAMES. I think they are much less.

The CHAIRMAN. Then you must get most of the laundry work that your guests have.

Miss JAMES. No; because a good many of our guests do not feel they can afford laundry at all, and in the basement of every building is provided a small laundry, and you would be amazed at the large number of girls who come home and wash their own clothes and iron their own clothes in the basement, so that there is only a small number who feel they can afford the luxury of going to a steam laundry to have their things laundered.

The CHAIRMAN. Is the laundry work of the employees of the hotel done in the hotel?

Miss JAMES. No; not in many instances. We furnish a cover-all uniform for the waitresses in the dining room which is laundered every day. There are certain people in the plant who are required to wear a certain uniform and all those are laundered in the laundry, but generally speaking, any employee who has laundry done must pay for it just the same as the guests.

The CHAIRMAN. But where you furnish a uniform, you launder it and charge that to the expense of operation.

Miss JAMES. Exactly. That is about the only way you can persuade your waitresses to keep as clean as is necessary in the service of food.

The CHAIRMAN. I do not know anything about the running of a boarding house—I do not like to dignify this establishment by calling it a hotel, because I do not think it hardly falls within that class—but it would seem to me that according to the rate paid, which is $1.50 a day, that five hundred and some odd employees to take care of 1,800 guests is "going some."

Miss JAMES. Of course, if you have not studied any project in detail and with care it is rather difficult to hazard an opinion, I should think.

The CHAIRMAN. I have not studied it.

Miss JAMES. In the first place you realize that we have an expensive plant to operate because of its spread. Instead of having one control, for instance, one desk control for people coming in and out, and for mail and all that kind of thing, we have 12 separate houses. If we had 11 or 20 stories, and could have the control in one office, of course there would be places where we could economize. It is not possible, we feel, to economize on the people as we are running it now. I can truthfully say, and I would be glad if you would take the time to come down and see us and let me take you from one department to another in each one of the seven units—I can truthfully say that we are running so close on service that when one employee is home sick that that place feels the jar of it. Most of us down there who have anything to do with the supervision of help are putting in from 16 to 18 hours a day of the best we have to give. Our maid service, for instance, goes on at 8 o'clock in the morning and goes off at 4 o'clock, and practically all of that type of service does. From 4 o'clock until 11 o'clock at night, with all the guests at home, we have no service in the houses at all except what the house managers and we ourselves give. We are running so close, as I say, that when any employee is kept home, we feel the shock of it all over that big place, and I would like to take you down there and take you from one department to another, and show you the details of its operation and I do not believe that you would feel it could be run on one less employee than we are doing it, unless we decided to cut the service.

The CHAIRMAN. Well, I do not know——

Miss JAMES (interposing). Well, will you not accept that invitation? It will not take a very long time.

The CHAIRMAN. I can be pretty easily fooled on a thing of this kind, but just looking at it in its broad aspect——

Miss JAMES (interposing). But that, of course, is a fallacy.

The CHAIRMAN (continuing). When we realize there are pretty nearly 600 persons for the 1,800 guests you have there, a little over three guests per employee——

Miss JAMES (interposing). Did you ever count up in any group of people living in their home, whether it is a father together with his whole family or whether it is a group of employees who group together for cooperative housekeeping—you do not count the laundry, ordinarily, because you do not see that——

The CHAIRMAN (interposing). Yes; I was brought up in a family of 5 children and we kept about three or four hired men and my mother did all the work, bringing up five little children and cooking for the hired men when we were running a large farm, and here we have begun the running of a Government institution and for every three persons, practically, you have one attendant.

Miss JAMES. But your mother was not earning her own living on the outside.

The CHAIRMAN. I should think they would really be in each other's way.

Miss JAMES. We can show you that they are not in each other's way and we can show you that each person knows exactly what he is doing and knows that he is producing, as far as that can be humanely controlled, a specific service; and it may be that you could ask people who work all day to go home and do their own housework, but I do not believe you could, do you?

The CHAIRMAN. Well, I do not know but what you could. I think the boys who are going through college to-day and are working their way through, in the end will amount to more when they get around 50 than those who are fed with a silver spoon all the time——

Miss JAMES (interposing). If they do not die of tuberculosis.

The CHAIRMAN (continuing). And ride back and forth in a limousine. I think it would not hurt these girls, if they are getting a service of this kind, to be asked to go in and take care of their own rooms, do you?

Miss JAMES. I think that when a woman is putting in seven hours net at heavy office work, that it is rather a strain.

The CHAIRMAN. Seven hours heavy office work net is seven hours office work nit, to use a common expression. They are not doing it. We have seen them when we have gone into the departments, as a rule, knitting and crocheting, I will not say hour after hour, but time after time, and that does not have very much weight with this committee, because we know that the overworked Government employee is rather few and far between.

Miss JAMES. We will show you some down at our place who are overworked. I do not know about those who live with us. I can not vouch for them.

The CHAIRMAN. Aside from those in the dining room, do any of your employees wear a livery or anything of that kind?

Miss JAMES. The livery they wear in the dining room is a plain white duck apron, a cover-all apron, in the first place; and in the second place I think perhaps one of the things that is not realized is that we are a seven-day-a-week operation, 24 hours in the day.

The CHAIRMAN. Of course, you have to be.

Miss JAMES. We are not an office operation where you can work six days or five days and a half and go home. Our place runs the clock around and it runs the week around.

The CHAIRMAN. You have hours when these girls must be in, do you not? Do you let them stray in there at all hours of the night and morning to their rooms?

Miss JAMES. Certainly not.

The CHAIRMAN. Do you lock the doors at a certain time?

Miss JAMES. The night watch goes on at a certain hour.

The CHAIRMAN. What hour?

Miss JAMES. Eleven o'clock.

The CHAIRMAN. And everybody has to be in their rooms then?

Miss JAMES. There is no law against anybody being sick after that hour and requiring attention, and of course, some of the guests come in after 11 o'clock.

The CHAIRMAN. Of course not.

Miss JAMES. And when you have 162 people, there usually is somebody who requires something after 11 o'clock.

The CHAIRMAN. What do you mean by 162 people?

Miss JAMES. I mean 162 in each of the 12 buildings. You see we are running really 12 little—if you do not care to dignify them by calling them hotels—we will call them boarding houses or homes or anything you like. Now, you make the statement, in general, that it seems like a large number of employees.

The CHAIRMAN. Frankly, it does.

NUMBER OF EMPLOYEES TO EACH UNIT.

Miss JAMES. I would like to get down a little bit more to the details on that, breaking it up by units. In each one of these houses where we have 162 people, the equivalent of a good many city hotels, in order to cover this 24-hour shift on duty—in the first place, there is the general house manager and then there are three people, two people who cover the desk during the day and a night woman who covers the desk at night. That gives you the people for the whole house. Then there are chambermaids, and each chambermaid takes care of 29 rooms, which is rather more than any other place I have been able to find. The fact is that all along the line we have tried to require a maximum of service from our people.

The CHAIRMAN. Of course, your rooms are very small and that enters into that proposition.

Miss JAMES. Yes; but a bed is a bed and making up so many beds and taking care of the linen is about the same in a small room as in a large room. The only difference is the care of the floor and the rugs.

The CHAIRMAN. And the room and the furniture.

Miss JAMES. We have all the requisite furniture, of course, in the small rooms. We have one man in each building who is a general utility man and who takes in and out the trunks. We have one general charwoman who takes care of the halls in each building. That is the equipment for each one of those 162-room buildings. We have in the dining rooms—and there, of course, is our heaviest number of employees—in each dining room one waitress waits on 12 people twice; that is, we have nearly enough guests to fill our dining rooms twice. We have our kitchens divided up into units: The people who prepare the food at the ranges, and they are reduced to the smallest number that can carry the cooking at all, and I would like to take you through our kitchens when we are serving, and you will see that things are moving at a pretty high rate of speed and that every person in the kitchen is working. There are the people required for cooking the soups, the people required for cooking the vegetables and preparing them in each dining room, mind you, for over 1,000 people.

There are two dining rooms and kitchens, as you know. Then there are the people in the pantries required to furnish the desserts and salads and the beverages, and then there are the dishwashing employees who must wash all the dishes for 2,000 people twice a day. Then there is the bakery—and by the way we do our own baking, and that is again a service we perform instead of buying bread in the open market. We have studied over that kitchen arrangement time and time again and the only way I know that we can cut service on that would be to change the plan of action and furnish a cafeteria instead of a seated service.

The CHAIRMAN. Have you ever offered any allowance for those girls who wanted to wait on the table?

Miss JAMES. In the beginning I believe we had a few girls who did wait on the table but we found they were so irregular that it was very difficult to conduct operations, and in other cases the combined pay amounted to over $2,000 which made it illegal.

The CHAIRMAN. I know that practice is very common among our schools and colleges.

Miss JAMES. Yes; I know it is.

The CHAIRMAN. People are given advantages and they are willing to reciprocate and offer their services at a correspondingly low rate to help the institution to run.

Miss JAMES. Yes; I know that is true.

Mr. SOLEAU. Mr. Chairman, in a discussion of the type of people who come here for war work, I think it must be remembered that they are not bent on any particular end but come here more on a pleasure jaunt and to make some money and do a little work and then go home, and consequently the hotel is getting a large percentage of that type of people.

Miss JAMES. If you asked me, as you have not, but I am going to volunteer the information, as to whether I am in favor of Government operation of a housing project of this sort, I will say that I am not. This was a war project that we started, and we are all of us doing our level best under very trying circumstances of operation to finish up the obligation we began for this year, and we want to do it in a business-like way. I have no fanciful ideas about the Government providing housing for its employees.

The CHAIRMAN. Miss James, what I had in mind was this: Here is a property that cost us $2,000,000 in round numbers and you are operating it on a plan whereby you will collect from the guests enough to pay the actual expenses of operation, to say nothing of the investment. It will have to be wrecked, and if you get out of it enough to clear up the grounds and perhaps a little more that is about all you can expect. There will not be very much in the way of salvage. Now, with that in view it does seem to me that it would not hurt these girls but would be a splendid thing for them if they were required to cooperate with the Government in giving some service in return for what the Government is giving them.

Miss JAMES. Mr. Good, there are a great many schemes under which this project might be operated. It could be operated on the cafeteria plan; it could be operated on doing a certain amount less in the rooms. Entirely outside of any of the people who are there now, it was decided by the department which was operating it, and I believe that was not the Housing Corporation, to give a seated service, to take care of the rooms, and we were put there to work that thing out. We have now run through nine months of the year and from a business standpoint, in my judgment, it would be very bad policy to make a change during this fiscal year. When it comes to June 30, if any other plan is to be considered for modifying the operation, I think it would be quite in order to do so. Indeed, if the wages of chambermaids and waitresses and women in the kitchen are to be put to the point where the District Minimum Wage Commission has asked, it would entail a reorganization of some kind after that date.

The CHAIRMAN. Miss James, if you were to reduce your stores as much as possible to July 1, I take it you could get along with considerably less than the amount you are asking here.

Miss JAMES. Mr. Bissell feels that if we have any less amount of money than this, we will come up to the 30th of June and we will be back here again for money to pay our bills.

Mr. BISSELL. If you cut your expenses you are going to cut your receipts more.

The CHAIRMAN. You do not get the receipts and have nothing to do with that.

Miss JAMES. The Treasury gets them.

The CHAIRMAN. They simply pass through your hands so that that does not affect the amount you are estimating.

Mr. BISSELL. It is all Government money.

Miss JAMES. It affects it a good deal.

The CHAIRMAN. If you reduce the number of guests and then make a corresponding reduction in operating cost——

Miss JAMES. Do I understand the Committee on Appropriations is asking us to reduce our service?

The CHAIRMAN. I do not know what your service is.

Miss JAMES. Oh, no; I mean the number of people we are serving. I am not now talking about service.

The CHAIRMAN. No; we have no information about that.

Miss JAMES. Well, that is what I supposed.

The CHAIRMAN. We are not attempting to run your hotel. That is what you are employed for.

Miss JAMES. And that is what I am making a very earnest effort to do.

Mr. CANNON. Without running through an ocean of figures, I would like to have the figures in bulk as to how much it costs to run this establishment, how much the receipts are, and what we have to appropriate to keep it running.

Mr. SOLEAU. Mr. Chairman, on the audited accounts of the Comptroller's Office, the receipts were $667,308.59 and the disbursements for the same period were $658,302.36. On that basis of operation, the apparent deficiency is $290,000. The estimated expenditures on the audited accounts for twelve months are $987,453.54 and the receipts on the basis of the experience to date are $1,000,962.89. Now, that is easy to get at, and as comptroller I review the accounts, and I want to say to you, sir, in all sincerity, that there is a disposition on the part of the managers of the hotel to operate as economically as possible, to buy from Government contracts wherever possible. They have appealed to me from time to time and I have rendered them all the assistance I could, even to the extent of going to the Comptroller to force contractors to furnish large quantities of goods to the hotel at the Government contract prices.

The CHAIRMAN. You buy them from the Army and Navy stores.

Miss JAMES. No; we buy under the General Supply Committee.

The CHAIRMAN. Can you buy supplies for the kitchen as cheaply in that way as you can at the Army sales?

Miss JAMES. Of course, sometimes we are referred to the Army people; you know how the General Supply Committee works.

The CHAIRMAN. You can buy at any place you wish.

Miss JAMES. We are under the General Supply Committee, I understand. We have had a decision rendered that we are required to buy under the General Supply Committee.

Mr. BYRNES. From the General Supply Committee, but not from the Army and Navy commissaries.

Miss JAMES. No.

The CHAIRMAN. Under the law you are authorized to buy——

Miss JAMES. We are required to buy under the General Supply Committee.

The CHAIRMAN. Section 5 of the deficiency act of July 11 provides that the heads of the several executive departments and other responsible officials in expending appropriations contained in this or any other acts so far as possible shall purchase materials, supplies, and equipment when needed, and funds are available from other services of the Government possessing materials, supplies, and equipment no longer required because of the cessation of war activities.

Miss JAMES. I may say that we are required to circularize the departments for surplus supplies, and we have never yet received a response from the Army on anything we have circularized them about, although we have circularized them scores of times.

Mr. BYRNES. And they say they have not got anything?

Miss JAMES. They do not answer us at all; and in the meantime our people would go hungry. There is only one other thing I would like to state in order that I may be perfectly sure we are understood, and that is that so far as operating expenses go we are absolutely a self-sustaining body. We are not asking one cent of the taxpayers' money on our operations. We will probably have a small amount—just what it will be we can not tell at this minute—somewhere between thirty and fifty thousand dollars—less than our receipts, that will be allowed to remain there, so that we are not asking for the taxpayers' money. We are only asking the amount which in our opinion will need to be disbursed in order to finish up our year, and I do not know that we have any very adequate method of suddenly controlling it in case we should run over—for instance, if you should cut our appropriation and we ran over, I would know of no other remedy than to come back to you again.

The CHAIRMAN. Cut in on your stores.

Miss JAMES. We will do that.

Mr. BISSELL. Unless we can be given enough money to run until next July, we are flat.

The CHAIRMAN. I shall study these tables you have put in, but I am satisfied that you are not going to spend on the average $100,000 a month for the next three months, because you are not going——

Miss JAMES. But we are going to spend $85,000, and when you add the stores and March bills to it——

The CHAIRMAN (interposing). Then you are going to take something out of your stores. You have $50,000 of stores——

Miss JAMES. No; we have only about $35,000. We are cutting them just as fast as we can, but those expenses do not show stores. They only show what we actually use.

The CHAIRMAN. But wherever you added to your stores that would be shown.

Miss JAMES. No; that only shows what we took out of them.

The CHAIRMAN. You only charge what you take out of the stores?

Miss JAMES. Exactly.

Mr. MACOMBER. We have two statements here; we have an operating statement, if you care to see it, and also a balance sheet showing assets and liabilities.

The CHAIRMAN. You can put that in the record.

Miss JAMES. I brought up our books, in case you wanted to ask any detailed questions. We really can answer for you any kind of specific question. In the meantime, if you still remain unconvinced as to what our employees are doing, I would like to ask you to come down there and spend about an hour and a half, and let us take you around the plant and show you exactly what we are doing and the service we are rendering. I think you will be amazed.

The CHAIRMAN. Please insert in the record a table showing the number of guests for whom you furnish rooms by the month, giving it in monthly itemized form, and also the number of guests for whom you furnish meals, putting that also in the form of a monthly statement.

Miss JAMES. I will do so.

SATURDAY, APRIL 10, 1920.

BOTANIC GARDEN.

STATEMENT OF MR. GEORGE W. HESS, SUPERINTENDENT.

FOR PURCHASE OF FUEL, FORAGE, FLOWER POTS, ETC.

The CHAIRMAN. Mr. Hess, you are asking for a deficiency appropriation of $1,025 in the following letter:

I respectfully request deficiency appropriations for 1920 for the Botanic Gardens as follows:

For procuring manure, soils, fuel, etc., including the same objects specified under this head in the legislative, executive, and judicial appropriation act for the fiscal year 1920, $925.

For general repairs to buildings, heating apparatus, etc., including the same objects specified under this head in the sundry civil appropriation act for the fiscal year 1920, $100.

Unforeseen conditions have been the cause of these two small deficiencies. Prices of materials and labor have been gradually increased. I have made every effort to keep within the appropriations and regret exceedingly to be compelled to submit these estimates.

Is this an urgent matter?

Mr. HESS. Yes, sir.

The CHAIRMAN. Could you wait until the regular deficiency bill at the end of the year?

Mr. HESS. Mr. Chairman, it is necessary for us to have this money now.

The CHAIRMAN. You are asking $350 for fuel.

Mr. HESS. Yes, sir.

The CHAIRMAN. Is that for coal?

Mr. HESS. Yes, sir.

The CHAIRMAN. That is required for heating the greenhouses?

Mr. HESS. Yes, sir.

The CHAIRMAN. Are you out of coal?

Mr. HESS. I ordered coal the other day, but have not the money to pay for it.

The CHAIRMAN. Have you any money for that purpose?

Mr. HESS. The money for fuel is exhausted.

The CHAIRMAN. And you will require $350 for that purpose for the rest of the year?

Mr. HESS. Yes, sir; we will need $350 to run us to the end of the year.

The CHAIRMAN. And you ask $50 for forage?

Mr. HESS. Yes, sir.

The CHAIRMAN. How many horses have you?

Mr. HESS. Two horses. We use them for plowing and hauling.

The CHAIRMAN. Is your whole contingent appropriation practically exhausted?

Mr. HESS. Yes, sir; it is practically exhausted.

The CHAIRMAN. Then, you want $100 for flowerpots.

Mr. HESS. Yes, sir; we are potting plants now.

The CHAIRMAN. You are short of pots?

Mr. HESS. Yes, sir; we are short of pots and are short of money with which to get them. I have figured it as low as I possibly could. I figure that if we could get $100 more, it would run us through this year.

FOR REPAIRS TO AUTOMOBILE, ETC.

The CHAIRMAN. You ask $125 for repairs to auto and accessories.

Mr. HESS. Our funds for that purpose are practically exhausted, and in case a tire should be needed, or an inner tube, or any repairs, we would have to wait until July to get it.

The CHAIRMAN. For gasoline and oil you are asking $250.

Mr. HESS. I withdraw that item.

PURCHASE OF CEMENT.

The CHAIRMAN. For cement you are asking $50.

Mr. HESS. Yes, sir.

The CHAIRMAN. What will you do with that?

Mr. HESS. We need cement to repair a number of benches. We would be very much handicapped if we had to wait until July to repair them.

The CHAIRMAN. The items I have enumerated are carried in the legislative bill.

Mr. HESS. All of the items there except one are carried in the legislative bill.

PLUMBING AND HEATING.

The CHAIRMAN. You have an item of $100 for plumbing and heating. That is paid out of an appropriation carried in the sundry civil bill.

Mr. HESS. Yes, sir. That is in order to get fittings to do some repairing that is absolutely necessary.

The CHAIRMAN. You had an appropriation of $15,000 for that purpose, and you can put in the record a statement of your unexpended balance under that.

Mr. HESS. Yes, sir; I will do so. Out of that I purchased a new boiler and installed it, and purchased new piping, doing away with three other boilers. I replaced three boilers with that new boiler.

The CHAIRMAN. You had $13,500 for boilers.

Mr. HESS. Yes, sir. As you remember, I explained at the time that the prices had advanced so from the time I asked for the appropriation until the time I received it that it would be necessary to ask for an additional amount.

The CHAIRMAN. Do you still owe $100 on account of that?

Mr. HESS. No, sir; we do not owe $100, but that is for additional repairs. We do not owe a cent. This is for fittings to complete the repairs.

NOTE.—The unexpended balance of appropriations made in sundry civil appropriation bill for fiscal year 1920 is $2,993.76.

SATURDAY, APRIL 10, 1920.

DEPARTMENT OF AGRICULTURE.

STATEMENTS OF MR. HARLAN D. SMITH, ACTING CHIEF DIVISION OF PUBLICATIONS; MR. E. F. STUEWE, CHIEF EDITOR, AND MR. W. A. JUMP, CHIEF CLERK.

PRINTING AND BINDING.

The CHAIRMAN. You are asking for a deficiency of $125,000 for printing and binding for the Department of Agriculture for the remainder of this fiscal year. You had a total appropriation of $600,000. What is the state of your balance?

Mr. SMITH. We now have a deficit of $3,105.18. I will insert in the record the statement of the Public Printer dated April 6, 1920, indicating the deficit.

OFFICE OF THE PUBLIC PRINTER,
Washington, April 6, 1920.

SIR: I have the honor to submit a statement of the condition of the allotment of appropriation for printing and binding for the Department of Agriculture for the fiscal year 1920, on March 31, 1920, as follows:

Credit by allotment		$561,000.00
Total bills rendered	$348,539.53	
Estimates on unbilled work	215,565.65	
		564,105.18
Deficit		3,105.18

Respectfully,

CORNELIUS FORD, *Public Printer.*

CHIEF, DIVISION OF PUBLICATIONS,
Department of Agriculture, Washington, D. C.

The CHAIRMAN. And you want how much of a deficiency?

Mr. SMITH. $125,000.

The CHAIRMAN. What is this supplemental estimate of $75,000?

Mr. JUMP. That increases the estimate of the department for printing for 1921. The department last fall submitted an estimate of $725,000 for the next fiscal year, and this is now supplemented with an estimate of $75,000 additional, bringing the total estimate of the department for next year up to $800,000.

The recommendation for a supplemental appropriation of $125,000 for the current fiscal year was submitted to the Congress following a survey of the printing situation in the department January 1, 1920.

(See attached statement.) On that date there was an unencumbered balance on the regular printing fund of only $145,000, while the printing needs of the various bureaus, conservatively estimated, amounted to $359,000, leaving no provision for $214,000 worth of printing which the bureaus considered urgently necessary. These figures were gone over carefully and the $214,000 was reduced to $125,000 as the minimum amount upon which the department could manage. A portion of the $125,000, say $18,000, is needed for job work which is absolutely essential in the everyday operation of these bureaus, and the rest is for publication of important information. The department is now holding a number of manuscripts of merit which it is in the public interest to have printed immediately, notwithstanding the need for economy at this time.

The situation of the department is similar to that of several other of the executive departments which submitted estimates, and were allowed supplemental appropriations under the second deficiency act.

The CHAIRMAN. That has nothing to do with this deficiency.

Mr. JUMP. No, sir; that has no bearing on this deficiency, except that it is based largely on the rising printing and paper costs, which also are largely responsible for our present situation.

The CHAIRMAN. If you have only a real deficiency of $3,000, why do you want $125,000 to pay that deficiency?

Mr. SMITH. We have in the Printing Office 267 manuscripts awaiting publication. They are very important and contain timely and seasonal information that will suffer in its effectiveness by delayed publication.

The CHAIRMAN. They are largely bulletins?

Mr. SMITH. Yes, sir.

The CHAIRMAN. These are new manuscripts that have never been issued?

Mr. SMITH. Most of them are new manuscripts, but some of them are reprints.

The CHAIRMAN. How much of this is estimated for reprints?

Mr. SMITH. We have not classified it in that way, but that could be done.

The CHAIRMAN. I wish you would put in the record a statement of how much of this amount is to pay for the reprinting of bulletins, and how much for new bulletins.

Mr. SMITH. Yes. We can do that.

NOTE.—The statement appears later, in response to the request of the chairman for an itemized estimate of how it is proposed to expend the supplemental appropriation requested.

The CHAIRMAN. How important is it to print these bulletins right now?

Mr. SMITH. Well, there is nothing quite so important, as we see it, in the Department of Agriculture now. As Secretary Meredith said yesterday, and as we all feel, it is the most important problem in the department right now. The Printing Office has told us that they can not accept any more work for the rest of this year. I have just had a letter from the Deputy Public Printer on that, and I will insert it here in the record. This communication also assures the department of the ability of the Printing Office to handle the printing we need if the funds are provided immediately.

OFFICE OF THE PUBLIC PRINTER,
Washington, April 9, 1920.

SIR: Complying with a request from your department of this date as to the amount of work this office will be able to execute, provided a deficiency is secured approximating $125,000, I have the honor to advise that it will depend entirely upon the class of work and the date the deficiency is made available. If requisitions are placed prior to May 1 for ordinary bulletins and pamphlets not necessitating illustrations, the whole amount of the $125,000 can be consumed. If the appropriation is not available prior to May 15, $100,000, and if not available before June 1 an estimate for delivery in excess of $50,000 is not deemed advisable.

It is of course understood that proofs submitted must be promptly returned. Your allotment is exhausted for additional requisitions, and it is apparent that a deficiency appropriation is in order. This office can not proceed with requisitions in excess of the department's allotment.

Respectfully,

D. V. CHISHOLM,
Deputy Public Printer.

HON. EDWIN THOMAS MEREDITH,
Secretary of Agriculture.

I should like to make a brief statement, if I may.

The CHAIRMAN. Yes.

Mr. SMITH. I should like to say that I am appearing for Mr. Reid, the Chief of the Division of Publications, who is out of the city. We could not get him in time to appear here. He could present this matter much better than I, as he is more intimate with the printing situation. I will do the best I can. I would like to say that he understood that Secretary Meredith and he had covered this matter in the hearing several days ago, and consequently he left the city. He would not have left had he known about this hearing, because of its importance. Consequently, it is a rather large responsibility I have, for unless there is relief in the present situation it means the contact of the department with the farmers for the rest of the year will be cut off. That is what it means to us. The letter of the Deputy Public Printer indicates our allotment is exhausted and no more requisitions can be received.

The CHAIRMAN. From the statement of the Secretary, that contact would be cut off anyway because he complains that after the bulletins are published they do not get to the farmers because of the provision of law whereby four-fifths of them are distributed by Members of Congress.

Mr. SMITH. That not enough of them are avilable for farmers is our complaint; that is, we can not supply a fraction of the demand for them. That is our difficulty. We have been obliged to discontinue all bulk distribution of bulletins. We can not now even take care of the individual requests, which are coming to us from all over the country at the rate of about 3,000 letters a day. They are from people who want the bulletins for practical use, and we can not begin to supply them. You will probably be interested to know that during the last year some 500,000 copies have been turned back to us by Members of Congress for distribution through our distribution system.

The CHAIRMAN. There are certain persons who write in to Members of Congress or to the Secretary and want to receive all the publications of the department, and you put those on a list and you send them the publications?

Mr. SMITH. There are very few, indeed, who get all the publications of the department. That is a very small and restricted list.

They must be responsible officials who we know really need and can make use of all of them.

The CHAIRMAN. You put their names on a list and send them your publications?

Mr. STUEWE. We send most of them a list of all the publications available, which is a monthly list, and then they check off what they want.

The CHAIRMAN. They check off what they want and you send them out, and, of course, not all of them, by any means, but a great many of them are the cranks of a community. Nearly every crank in a community wants something for nothing, and when he finds out that the Department of Agriculture is publishing a new bulletin, he immediately wants it; not that he will want to read it or anything of that kind, but he simply wants to get something for nothing, and I know in my own neighborhood that if there is a person there who is peculiar, he always wants the Government publications, and I assume that what is true in one neighborhood and locality is practically true in other localities.

Mr. SMITH. It is very hard to distinguish those persons, and how could we refuse them anyway?

The CHAIRMAN. I understand you can not, and I understand the difficulties in the way of determining that.

Mr. JUMP. In the hearings on the agricultural appropriation bill this year you will find testimony from the members of the committee themselves on the value of the Farmers' Bulletins, as they are learning it from their constituents. Gov. Rubey, whom I have in mind particularly, indicated that in his district, where the largest city has about 3,000 inhabitants, he could not supply the demand for the bulletins, that they are very highly thought of, and are included in the courses of study in agriculture used in the public schools. There is every indication in this district, as in many others, that the bulletins are of the utmost practical value to the people. They actually use them.

Mr. SMITH. The point is, Mr. Chairman, the bulletin in many cases is the only way in which we can get out the results of an investigation that has cost a large amount of money. The Congress is appropriating some $30,000,000 annually for the work of the department, and unless at the same time sufficient money is appropriated to get the results of this work before the people the effect of the appropriation is severely reduced and in many cases practically nullified. In addition, these bulletins represent, many of them, the life work of a scientist. It is very discouraging and has a decidedly bad effect on the morale of the staff in the department if a group of earnest workers produce a valuable bulletin which their intimate knowledge with the special problem they are working on tells them it is highly advantageous in the public interest be printed and made available at once and then that bulletin is bottled up in the department because of the lack of funds to print it.

The CHAIRMAN. I wish you would put in the record a list of the bulletins you propose to publish out of this estimated appropriation of $125,000 that have not been published, the size of the edition proposed, and the estimated cost.

Mr. SMITH. Assuming that this appropriation will be available when?

The CHAIRMAN. Well, as a deficiency appropriation.

Mr. SMITH. It would depend on how soon we get it, of course, as to how much we could have printed.

The CHAIRMAN. Assuming it will be available by the 20th of April, because you could not make up your estimate of $125,000 unless you had estimated how much it was going to cost for each bulletin and the number.

Mr. SMITH. Yes; we have that estimate but we could not tell how much of it we could spend this year until we knew how much of it was available.

The CHAIRMAN. On the basis of your $125,000 estimate.

Mr. SMITH. That is, what we would do with $125,000. We can do that.

Mr. JUMP. We have a letter from the Deputy Public Printer saying that he can do all of this printing if we have the money available by May 1. We can furnish the statement on that basis. (The statement follows:)

1. Publications and job work necessary to be printed by June 30, 1920, and for which no funds are available.

Bureau.	Amount.	Bureau.	Amount.
Accounts	$500	Markets	$1,500
Animal Industry	1,000	Publications	1,000
Biology	500	Public Roads	500
Chemistry	500	Secretary	1,141
Crop Estimates	1,700	Solicitor	300
Entomology	400	States Relations Service	1,000
Farm Management	200	Soils	300
Forest Service	7,000	Plant Industry	809
Federal Horticultural Board	250		
Insecticide Board	425	Total for job work	20,025
Library	1,000		

2. New publications—Farmers' Bulletins.

Title.	Number to be printed.	Cost.
Principles of Live-Stock Breeding	30,000	$400
Mule Raising	30,000	400
Growing and Developing a Purebred Beef Calf	30,000	500
Growing a Calf for Beef	30,000	500
Beef Production in the West	30,000	350
Beef Production in the East	30,000	350
Beef Production in the Corn Belt	30,000	300
Beef Cattle Farm Equipment	30,000	500
Home Consumption of Lamb and Mutton	30,000	400
Angora Goats	30,000	450
Use of Cottonseed By-Products for Live Stock	30,000	400
Care of Mature Fowls	30,000	350
Incubation	30,000	350
Care of Baby Chicks	30,000	350
Exhibits and Judging of Poultry	30,000	350
Selection of Poultry Breeding Stock	30,000	300
Cheese Making on the Farm	30,000	400
Cow-Testing Associations	30,000	450
Care of the Bull	30,000	500
Sanitation on the Farm	30,000	500
Diseases of Sheep	30,000	500
Feeding Cottonseed Meal to Horses	30,000	400
Rural Bird Refuges	20,000	300
The Chinch Bug and Its Control	20,000	200
Insects Injurious to Deciduous Shade Trees	20,000	200
The Poplar Borer and Methods for Its Control	20,000	150
Control of Insects Affecting Mesquite Products	20,000	250

2. New publications—Farmers' Bulletins—Continued.

Title.	Number to be printed.	Cost.
Insects Injurious to the Garden Rose	20,000	$200
Grape Insects of the United States	20,000	250
Apple Insects of the United States	20,000	200
A Property Book for the Farm	30,000	400
Farmers' Mutual Hail Insurance	30,000	400
Plans for Rural Community Houses	30,000	500
Rural Community Building Associations	30,000	500
Director of Rural Organizations, State and National	30,000	500
The Farm Lease	30,000	250
Methods of Conducting Farm Cost of Production Studies	30,000	450
Farm Drainage	30,000	500
Irrigation for Small Farms in Humid Regions	30,000	450
Methods for Obtaining Electricity for Farm and Home	30,000	400
Sewage Disposal on the Farm	30,000	500
Farm Home Heating Plants, Part 1, Warm Air Plants	30,000	450
Blister-Rust Control	50,000	600
White-Pine Treatment for Blister Rust	50,000	600
Binder-Twine Fiber Production	20,000	400
Use of Calcareous Fertilizers	20,000	400
Diseases of Coconut Palm	20,000	400
Diseases of Mahogany Tree	20,000	400
Control of Insects Affecting Crude Ash Products	20,000	200
Kanred Wheat	30,000	400
Milo	30,000	250
Early Oats	30,000	400
Sorghum Varieties for Sirup	30,000	600
Beet Rotations	30,000	500
Beets in Idaho	30,000	500
A Sizing Machine for Peaches	60,000	1,240
Apple Packing Houses in the Northwest	60,000	1,200
Live-Stock Movements in Arkansas Valley	50,000	500
Live-Stock Movements in Lancaster Feeding District	50,000	400
Cooperative Live-Stock Shipping Associations	50,000	500
Marketing and Utilization of Peanut Oily Pork	50,000	400
Seasonal Movements of Live-Stock	50,000	600
Market Report Service on Live Stock at Chicago	50,000	700
Seed Marketing on the Farm	50,000	600
Marketing Hay	50,000	600
House Cleaning	50,000	800
Canning	50,000	900
Home Economies	50,000	1,000
Total for new bulletins	....	31,140

3. Reprints—Farmers' Bulletins.

Title.	Number to be printed.	Cost.
Use of Fruit as Food	50,000	$200
Cowpeas	30,000	250
Care of Food in the Home	50,000	400
Feeding Hogs in the South	20,000	150
Lespedeza, or Japan Clover	20,000	500
Ice Houses	30,000	400
Production of Maple Sirup and Sugar	20,000	250
How to Grow an Acre of Corn	50,000	250
Pop Corn for the Market	50,000	600
Cotton Anthracnose	20,000	250
Sugar Beets Under Humid Conditions	50,000	750
Poultry House Construction	30,000	400
Breeds of Beef Cattle	50,000	600
Breeds of Draft Horses	30,000	450
Basket Willow Culture	20,000	200
Cotton Wilt and Root Knot	20,000	250
Squash Vine Borer	10,000	150
Harvest Mites or "Chiggers"	10,000	200
Culture of Rice in California	30,000	750
Muscadine Grapes	50,000	800
Care and Improvement of the Woodlot	20,000	400
Sheep Scab	30,000	450
The White-Pine Blister Rust	20,000	800
The Farmer's Income	30,000	800
Peanut Oil	30,000	600

3. Reprints—Farmers' Bulletins—Continued.

Title.	Number to be printed.	Cost.
Breeds of Swine	50,000	$800
Goose Raising	100,000	900
The Use of a Diary for Farm Accounts	50,000	1,000
The Sheep Tick: Its Eradication by Dipping	30,000	800
Farm Sheep Raising for Beginners	40,000	740
Tobacco Beetle and How to Prevent Loss	20,000	400
Potato Storage and Storage Houses	60,000	900
Home Canning of Fruits and Vegetables	200,000	1,500
Diseases and Insect Enemies of Home Garden	30,000	800
Utilization of Farm Wastes in Feeding Stock	30,000	750
Swine Management	100,000	1,000
Breeds of Dairy Cattle	100,000	900
Standard Varieties of Chickens, II	200,000	1,500
Evaporation and Drying of Fruits	200,000	2,000
Fumigation of Citrus Trees	20,000	500
Farm Home Conveniences	100,000	1,500
Haymaking	30,000	900
Important Poultry Diseases	250,000	1,830
Cooling Milk and Cream on the Farm	30,000	400
Feeding Hens for Egg Production	300,000	2,000
Judging Beef Cattle	80,000	1,200
Growing Beef on the Farm	50,000	1,000
Harlequin Cabbage Bug and Its Control	20,000	500
Beautifying the Farmstead	200,000	2,500
Total for reprints		68,280

4. Serial publications, for continuance of April, May, and June issues.

Experiment Station Record	$2,625
Journal of Agricultural Research	2,500
Food and Farming Weekly	420
Weekly News Latter	17,200
Special Information Service	1,300
Monthly List of Publications	2,250
Monthly Crop Reporter	6,800
Public Roads Magazine	3,600
Total for continuance of periodicals	36,695
Grand total	125,000

Mr. SMITH. We are now in the midst of a home-garden campaign, which is extremely important, because food produced by truckers this season is going to be greatly reduced. We have reports that show that truckers, because they can not get labor, are not buying nearly the amount of seed that they have heretofore bought, which indicates a considerable reduction in production by truck growers, and therefore we are encouraging in every possible way the tending of home gardens. To see that campaign through successfully we must have garden bulletins, and we now have available only a few thousand as against millions distributed last year by a private organization.

The CHAIRMAN. Are you going to publish those in colors?

Mr. SMITH. No; those are not in colors.

The CHAIRMAN. I understand from the Senate Committee on Appropriations that the proposition was put up to that committee, or to the Joint Committee on Printing, to publish some of your bulletins in colors.

Mr. SMITH. A very few of them. We have a few down at the Government Printing Office now that contemplate the use of a few illustrations in colors—cover pages only.

Mr. JUMP. We have only sent over four which contemplate colored covers, simply to make them more effective, but there are no colored illustrations on the inside.

The CHAIRMAN. What is your home-garden bulletin? Is that the only thing you want to print immediately?

Mr. SMITH. That is only one thing, Mr. Chairman, and I mentioned that because that is one of the urgent things that came to my mind. This morning I had a letter from the Trenton (N. J.) Chamber of Commerce, to whom I had sent a copy of our garden poster. Perhaps the committee would like to see the poster we are sending out to encourage this campaign [indicating]. We could print only 5,000 copies of that poster, and you can imagine how almost hopeless it was to cover the United States with such a small edition. The secretary of the chamber of commerce said, "Do you mean to say that only one copy is available for Trenton?" I had to tell him that that was the only copy we could allow there, and the same situation holds with regard to the garden bulletins. We have just a few thousand to cover the country, and there are possibly 10,000,000 home gardeners in the country.

The CHAIRMAN. I thought after the war was over we were going to get rid of some of these expensive artists and these expensive colored posters and would get back to something like normal, but it looks as if you are going to take up all the activities of the War Department and the Navy Department and every other war agency in this direction.

Mr. SMITH. Mr. Chairman, we just learned the value of poster during the war. In an educational campaign, especially, the posters have proved their value, and, of course, our problem is an educational problem. We have nothing else to sell but service, or the information contained in the bulletins. This poster was not prepared by an "expensive artist." The man who designed it received $1,200 a year, but has left the service since and is now said to be earning $75 a week in a commercial establishment.

The CHAIRMAN. How much have you expended in posters?

Mr. SMITH. That is a very small part of our appropriation. This poster, for instance, cost only $600 for the entire edition.

The CHAIRMAN. Have you any other posters that you are getting out?

Mr. SMITH. Yes; but I think we brought only these two samples.

The CHAIRMAN. I wish you would send the committee samples of all posters gotten out by the department and paid for out of this appropriation.

Mr. SMITH. During the fiscal year 1920 or do you mean contemplated under the deficiency appropriation?

The CHAIRMAN. All you have gotten out. Do you contemplate getting out new posters out of this deficiency?

(The statement concerning posters follows:)

Posters issued by the Department of Agriculture from July 1, 1919 to April 1, 1920, and paid for from the appropriation for printing and binding.

Poster.	Size of edition.	Cost.
Which way is your live stock going?	3,500	[1] $9.53
Pure-bred sires and herd improvement	3,500	[1] 9.81
Uncle Sam says garden to cut food costs	5,000	[2] 575.00
Total	12,000	594.34

[1] Reprints. [2] Estimated.

Mr. SMITH. No, sir.

The CHAIRMAN. Just reprinting what you have already printed?

Mr. SMITH. We would like to do that, but we have not even contemplated doing it because we will not have money enough.

I would like to cite some of these publications, Mr. Chairman, to show you the urgency of the matter. I have a list of them here that we have selected from 267 that we would like to have published at once. If I could just run through this list it would perhaps give you some idea about it.

For instance, Principles of Live-Stock Breeding; Growing a Calf for Beef; Cheese Making on the Farm; the Chinch Bug and Its Control; Apple Insects of the United States; the Farm Lease—that is a very important thing at this time.

The CHAIRMAN. That is an old bulletin, is it not?

Mr. SMITH. No; we have never had anything on that in connection with renting farms on shares.

Methods of Conducting Farm Cost of Production Studies; Cooperative Live-Stock Shipping Associations; Results of Grain-Dust Explosions Investigations—just this one publication, I believe, will give you an idea of the urgency of this matter. You may recall that a few years ago the department undertook an investigation of the thresher explosions in the Northwest in the wheat section—the Palouse section—of the State of Washington. They were very mysterious and were thought to be incendiary. I was out there at the time, and I made an investigation on my own account for a magazine article I was writing. The prosecuting attorneys were arresting suspects and actually convicting them for incendiarism in connection with these fires and explosions. That year there were 300 of these explosions, and the loss was about $1,000,000. Our scientists went into the matter and discovered that the explosions were caused by static electricity—sparks developed by whirring of the machinery—and they also discovered that the dust of smut which is in the wheat is highly explosive. We immediately devised a scheme of wiring these machines so that the electric current could be grounded and taken away harmlessly. We also devised fire-extinguishing systems which were installed, and now we have another system of prevention which should be put up to manufacturers and to farmers this season for installing. It is a sort of dust-collecting fan which catches the dust before it is circulated through the machinery and which reduces liability to explosion and resulting fires. That is one of the publications that is held up, and that is just a sample. There are many others equally important. I mentioned the garden campaign only because I thought of it first.

Then there is the pure-bred live-stock campaign. The States are cooperating with us in a drive to improve live stock all over the country, a nation-wide campaign. We have agreed to furnish them material. They are demanding these bulletins from us now, and we are unable to supply them. We are unable to furnish the new bulletins bearing on the campaign, some of which I have just read you, and also reprints of the old ones. In the face of this situation, this letter comes from the Public Printer advising that we have a deficit of about $3,000.

The CHAIRMAN. Looking over your list of farmers' bulletins, it occurred to me that your scientists having pretty nearly exhausted

the field of activity, have now, in order to keep on earning their salaries and to stay on the Government pay roll, practically been going over their old publications and getting them out under a new title. We have had baby beef bulletins before. You now call it by a little different name, but it is the same thing. You can not tell me that baby beef is any different from keeping the fat of a calf until he arrives at the age of 12 or 15 or 18 months and then selling it. I do not care what name you call your bulletin, the method of developing that animal is the same.

Mr. SMITH. Mr. Chairman, it is not quite the same because we are learning a great deal about feeding methods and rearing methods every year. If we were not, we would not be making progress.

The CHAIRMAN. Probably that is true; but why not discard the one instead of keeping them both on your list? If you have a better method, then discard your old bulletin instead of carrying it on your list and republishing it year after year.

Mr. SMITH. That is done. We do not reprint obsolete bulletins.

The CHAIRMAN (continuing). Simply because Prof. Sam Jones wrote it and wants it kept on the list.

Mr. SMITH. That is done; just as soon as a bulletin replaces another bulletin in its entirety the old one is discontinued. We discontinue bulletins by the dozens every year.

Mr. JUMP. We never reprint any bulletin unless there is an urgent demand for it. It would not pay us to do that, as the demand is too great on our funds for the printing of new material of an important nature.

Mr. SMIITH. This is a rather embarrassing situation we are in, because the farmers know we have certain lines of investigation going on and they know that some of them have been concluded and they are awaiting the results and demanding the results from us. They say, "What did you do as a result of this investigation; we need the information," and we have not got it ready for them. We have it ready for them, I should say, but we can not print it because we have not the money.

The CHAIRMAN. Your estimate for this year was $700,000 for printing for the Department of Agriculture. That was under the law whereby four-fifths of the bulletins went to the Members of Congress and only one-fifth were to be distributed by the department. That is true, is it not?

Mr. SMITH. Yes, sir; four-fifths of the farmers' bulletins are available for distribution by Members of Congress.

The CHAIRMAN. Now, I assume that half of the Members of Congress did not take those bulletins at all.

Mr. SMITH. I do not know offhand what the percentage is.

The CHAIRMAN. For instance, during the last two years I do not think I have taken out scarcely any, except, perhaps, a few where specific requests were received. I did not send out a list as I have done at times and as other Members sometimes do. The Members from the city do not send out lists. What becomes of those bulletins, are they printed?

Mr. SMITH. They are printed; yes. A great many Members who do not have the demand for farmers' bulletins transfer their allotments to other Members who do not have enough to supply their demand.

The CHAIRMAN. You print the full amount?

Mr. SMITH. Yes.

The CHAIRMAN. Then, instead of the Secretary of Agriculture having one-fifth to send out, he sends out about half of them?

Mr. SMITH. I do not know just what that proportion is.

The CHAIRMAN. I wish you would put in the record for a period of the last three years the number sent out by the department and the number sent out by Members of Congress

Mr. SMITH. We can do that.

(The statement follows:)

Distribution of Farmers' Bulletins by Members of Congress and the Department of Agriculture during the periods indicated.

Fiscal year ending June 30.	Farmers' Bulletins distributed.		Total number printed.
	Congressional.	Departmental.	
1917	8,811,150	6,621,110	15,177,800
1918	7,365,933	11,440,275	24,593,745
1919	5,490,652	9,069,867	12,752,472
1920 [1]	5,258,700	4,102,174	8,610,500
Total	26,926,435	31,233,426	61,134,517

[1] To Apr. 1, 1920.

NOTE.—Distribution in excess of number purchased secured from "carry over" in previous years.

The CHAIRMAN. It seems to me that you would not need a deficiency at all if you only printed what the Members of Congress actually send out, together with one-fifth of the total amount appropriated for to be sent out by the department. Instead of that, it seems to me that you are violating the law in sending out more than one-fifth and creating a deficiency by that very act.

Mr. SMITH. These bulletins usually are printed in an initial edition of 30,000 copies. We must keep some on hand to take care of the requests of Members of Congress, and, as you can see, we can hardly plan a year in advance to take care of that demand. We do not know how many bulletins will be ordered by Members of Congress.

This entire supplemental appropriation of $125,000 that we are asking may be wholly accounted for by the increased cost of paper, which is about 25 per cent, and of printing, which is 10 per cent, approximately.

Mr. JUMP. You might be interested in knowing that of about 8,000,000 farmers' bulletins received this fiscal year more than 5,000,000 have already been distributed on orders of Members of Congress. They are sending out a great many of them.

WEDNESDAY, APRIL 7, 1920.

FEDERAL CONTROL OF TRANSPORTATION SYSTEMS.

STATEMENTS OF MR. WALKER D. HINES, DIRECTOR GENERAL; HON. SWAGAR SHERLEY, DIRECTOR DIVISION OF FINANCE; MR. G. H. PARKER, COMPTROLLER; MR. MAX THELEN, DIRECTOR DIVISION OF LIQUIDATION CLAIMS; AND MR. BRICE CLAGETT, ASSISTANT TO DIRECTOR GENERAL, UNITED STATES RAILROAD ADMINISTRATION.

AMOUNT OF ESTIMATE.

The CHAIRMAN. Mr. Hines, there has been referred to this committee through House Document No. 716 an estimate for an appropriation of $420,727,341 for expenses incident to Federal control of the railroads. The letter of the Acting Secretary of the Treasury and your letter to the Secretary of April 2 being as follows:

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, April 5, 1920.

SIR: I have the honor to transmit herewith for the consideration of Congress copy of a communication from the Director General of Railroads of the 2d instant submitting a supplemental estimate of appropriation, in the sum of $420,727,341, required by the United States Railroad Administration, to be expended in the same manner and for the same purposes as the appropriation provided in section 202 of the transportation act of 1920, to be immediately available and to remain available until expended.

The necessity for the appropriation is explained in the letter of the Director General of Railroads herewith.

Respectfully,

R. C. LEFFINGWELL,
Acting Secretary.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

UNITED STATES RAILROAD ADMINISTRATION,
Washington, April 2, 1920.

MY DEAR MR. SECRETARY: I have the honor to submit herewith an estimate in the sum of $420,727,341 to be immediately available and to remain available until expended, and to be added to and considered a part of the moneys provided for in section 202 of the transportation act of 1920.

This additional sum would be expended in the same manner and for the same purpose and under the same conditions as the amount appropriated in the above-mentioned section.

The need for this appropriation is explained by the following statement showing the transactions of the United States Railroad Administration:

Indebtedness to the Government of railroads and other properties, including express companies:	
Total advances by the Government for additions and betterments to roadway and structures and equipment (except funded allocated equipment)	$765, 821, 450
Amount of probable deductions therefrom on account of compensation, depreciation, open account, etc., due companies	495, 741, 875
Net amount of advances for additions and betterments to roadway and structures and equipment (except allocated equipment) to be funded for 10 years	270, 079, 575
Advances for purchase of "allocated" equipment which has been funded through equipment trusts, principal payable in 15 annual installments	367, 806, 968

Indebtedness to the Government of railroads and other properties, including express companies—Continued.		
Other indebtedness due Government to be evidenced by one-year notes	$144,422,526	
Long-term notes payable to Government	44,433,664	
Stocks, bonds, and receivers' certificates of railroad companies owned by Government	35,221,199	
Total representing indebtedness of railroads and other properties, including express companies		$861,963,932
Other investments of Railroad Administration:		
Additions and betterments to inland waterways (including $3,479,011. to be yet expended in satisfaction of contracts made prior to Mar. 1, 1920)	14,581,126	
Miscellaneous investment (chiefly Liberty bonds)	90,258,305	
		104,839,431
Total of items of indebtedness and investment		966,803,363

PROFIT AND LOSS ACCOUNT.

Estimated excess of operating expenses and rentals over operating revenues:		
Class (1) railroads	$677,513,152	
Other privately owned properties (smaller railroads, sleeping and refrigerator car lines and steamship lines)	43,011,129	
Inland waterways	2,449,739	
Expense of central and regional organizations	13,954,980	
American Railway Express Co	38,111,742	
Other profit and loss debit balances:		
Adjustment for materials and supplies in settlement with railroad companies on account increasing prices	85,204,618	
Net interest adjustments and miscellaneous income debits and credits	40,233,396	
Total profit and loss debit balance		$900,478,756
Total of items of indebtedness and investment (item 11)		966,803,363
Administrative expenses of the Railroad Administration from March 1, 1920, to January 1, 1921		3,445,222
Grand total requirements		1,870,727,341
Original appropriation, Federal control act	500,000,000	
Deficiency appropriation	750,000,000	
Appropriation carried in transportation act of 1920	200,000,000	
Total appropriations		1,450,000,000
Estimated amount required to enable Railroad Administration to fund certain indebtedness of the railroad companies in accordance with the transportation act and to defray the costs of the Federal control		420,727,341

In connection with the foregoing estimate of the amount of the appropriation required to liquidate the affairs of the Railroad Administration, no allowance has been made for the settlement of claims on the part of the corporations for undermaintenance of their property during the period of Federal control. While there may be such claims on the part of some corporations, there will be, on the other hand, claims by the Government against other corporations for maintenance of the property in excess of the contract requirements which may require the payment of sums by the corporations to the Government. In the absence of final figures it seems best not to make any estimate of the net amount required to settle maintenance claims.

Sincerely, yours,

WALKER D. HINES.

The SECRETARY OF THE TREASURY,
Washington, D. C.

I suppose you would like to make a general statement covering the whole matter of Federal control, as well as the necessity for this appropriation, and we will be very glad to hear you.

GENERAL STATEMENT BY MR. HINES.

Mr. HINES. Mr. Chairman and gentlemen of the committee, I am glad to have an opportunity to state some of the broad considerations of policy which have controlled my methods of administration of this work, and which, of course, have had an important influence on the amount of money that is now asked for. I will endeavor to confine my statement in chief to these broad matters of policy. As far as it is agreeable to the committee, I would be very glad if the detail questions would be taken up with the director of the Division of Finance, because he can give much more complete and prompt responses than I could to the details. Our comptroller is also here and can throw light on the details. So, to begin with, I will deal with these broad questions of policy, and, as far as it is agreeable to the committee, I believe it will promote prompt disposition of the matter to take up the details with the gentlemen I have mentioned, although I stand prepared personally, either now or later, to answer any questions that you may wish to ask me.

The Government's money has been and is being used by the Railroad Administration for two principal purposes.

The first is for the furnishing of capital to the railroad companies and the second is to provide for the payment of the cost of transportation operation by the Government so far as that cost was not met by the rates which have been charged.

CAPITAL FURNISHED TO RAILROADS.

As to the first, the furnishing of capital to the railroad companies, I think, particularly, the details can be best explained by Mr. Sherley, but there underlies those details the question of general policy. The policy itself was expressed by the Federal control act, which indicated that it was the purpose, in view of the war conditions and of the great difficulty which the railroad companies were encountering in raising money for capital expenditures, that the Government should furnish money for necessary capital expenditures to such reasonable extent as the President or his deputy in this work might think appropriate.

In carrying out that policy of Congress the Railroad Administration had a different theory in each of the two years of 1918 and 1919, and the difference in the two theories was due to the change in condition from the war period to the period succeeding the armistice. During the year 1918 the Railroad Administration proceeded on the idea that no capital expenditures ought to be made unless it was believed they would promote the successful conduct of the war, and, on the other hand, that all capital expenditures should be made which were regarded as contributing to the successful conduct of the war so far as the money and material and labor could be found consistently with the other war demands. When the armistice was signed, however, an entirely new condition arose, and the Railroad Administration then adopted the policy that it would not sanction

expenditures to be made out of Government funds unless they were absolutely necessary. It was clear that the Congress and the people looked on the Federal control as a war emergency which ought to be terminated as soon as possible and superceded by a definite peace-time policy of railroad operation under private control, and therefore we understood that Congress and the public preferred that Government money should not be used for capital expenditures for the railroads when it could be avoided.

So our policy was that unless the railroad companies themselves are able to raise the money to make improvements we would not sanction their being made except where the Government had already been committed prior to the armistice to the specific undertaking as a war policy or where the actual necessities of transportation compelled it. The result of these different theories was that during the year 1918 a substantial amount of equipment was ordered, which was believed to be the minimum that the situation required, both to carry forward the ordinary replacement of old equipment with new on the railroads in a proper proportion and to enable the railroads to function successfully if the war continued. This equipment was ordered in 1918. To a large extent it could not be completed in 1918 because of the pressure of other war demands on the industries of the country; in fact, but for that pressure I believe more equipment would have been ordered than was ordered. We ordered all we figured we could get the materials for, and we had great difficulty in getting the materials for what we did order, and the delay in getting the materials resulted in the equipment not being constructed in 1918, and its construction was continued during all of 1919; but on account of the change in policy which was brought about as a result of the armistice we did not order any additional equipment, save 600 locomotives in the early part of 1919, plans for which had been made prior to the armistice, although it seemed reasonably clear, especially as the year 1919 progressed, that additional equipment was needed. The matter was presented for the consideration of the railroad companies, but they felt that the difficulties of their financing were such, pending definition of a permanent railroad policy, that they could not raise the money, so that no new cars were ordered in the year 1919, with possibly negligible exceptions. I think possibly a small amount of equipment was ordered by some railroad companies with the understanding that they would finance it, but, broadly, there was no equipment ordered.

As to improvements, additions, and betterments to way and structures, during the year 1918 we authorized no expenditures except those which we thought were justifiable as a war measure, and during 1919, since the railroad companies were in position where they felt they could not to any important extent carry on any independent financing and furnish the moneys themselves, we did no more than to carry out those things which had been entered upon in 1918 and which could not properly be discontinued, and to do such additional things as seemed to be absolutely imperative.

So that is the policy which the Railroad Administration has pursued, and as an outgrowth of that policy the expenditures for additions and betterments to way and structures and for equipment have been made which are indicated by our statement of the transactions

of the Railroad Administration. Mr. Sherley will be prepared to explain the way in which they have been financed and the extent to which, in his opinion, Government money will be called for in order to take care temporarily of the expenditures. The policy that the Government would aid in financing this situation was not only indicated by the Federal-control act of 1918, but it was emphasized again in the transportation act of 1920, and the method in which the Railroad Administration is developing that matter is of course in conformity with the method indicated by the transportation act.

DEFICIT IN COST OF TRANSPORTATION OPERATION.

Coming now to the other general subject matter, the use of Government money to pay that part of the cost of transportation operations which was not paid by the rates, I want to deal with that in a general way, because I think it is of interest to the committee, although, after all, it is dealing with a matter that is now past and does not necessarily throw light on any policy to be adopted for the future by Congress or by the Railroad Administration, because the whole question of Government operation terminated on March 1.

Let me say to start with that contrary to a widespread impression, my clear conviction is that the cost of conducting railroad operations by the Railroad Administration during the period of Federal control was not in excess of what it would have been under private control; but on the contrary, my best judgment is that it is less than it would have been under private control. Undoubtedly, there was a great increase in the cost. For example, taking the year 1914, which was the year prior to the war influences and comparing that with the year 1919 the operating expenses of the class 1 railroads were 102 per cent more than in 1914. The business handled was more in 1919 than in 1914, substantially more, but the total operating expenses were 102 per cent more; in other words, the operating expenses were about double in 1919 as compared with 1914. Of course, the offhand impression made is that that was an extraordinary increase and that it must have been due to this new element of Federal control, but the point I want to impress on you gentlemen is that it was due, in fact, to war conditions. Every industry was confronted with heavy increases in cost of every character, and I believe the increase of the Railroad Administration shows up in a very favorable way with the increase of industry in general.

To take a single instance of a striking character, take the largest private industry in the country, which is naturally regarded as having a very successful management, and that is the Steel Corporation, and it has had the benefit of a continuous management and policy for nearly 20 years, and the ability to plan confidently for the future. I have said that the expenses of the class 1 railroads in 1919 were 102 per cent more than they were in 1914, but the expenses of the Steel Corporation in 1919 were 144 per cent more than they were in 1914.

In both cases, as to the railroads and as to the Steel Corporation, a part of the increase was due to an increase of business, but if we reduce the increased cost of operation to the amount of increase per unit produced, in the case of the Steel Corporation the increase per ton and in the case of the railroads the increase per unit of service,

which is either the ton mile or the passenger mile, we find that in 1919 the cost of the Steel Corporation was 81.5 per cent more per ton produced than it was in 1914, while in 1919 the increased cost to the railroads was only 61.2 per cent more per unit of service rendered than it was in 1914. Of course, there can be no absolute parallel drawn between two lines of business that are so different. I mention that just as a suggestive illustration of the proposition that the increases in cost growing out of the war were very heavy, and when we find the railroads having a much less increase in cost per unit than the largest private industry in the country had, it helps to illustrate my own thought that the increases in the railroads are presumptively due to the same conditions that brought about the increase for private industry. It is also true that in the case of the Steel Corporation it was confronted with its strike in the fall of 1919, which I suppose increased its total cost and its cost per unit.

The railroads, however, were affected to a very great extent by the coal strike which had a very direct bearing on their costs and which accounts for a very large part of the total amount by which the railroad cost in 1919 exceeded the revenues. If you take the year 1918 for the Steel Corporation, which was a year of extraordinarily large business, larger than its business in 1919, and free practically from labor disturbances, because everything was being worked on a war basis, we find that even in that highly favorable year its increased cost per ton as compared with 1914 was 61 per cent as compared with an increase per unit of service of the railroads in 1919 as compared with 1914 of only 60 or 61 per cent, so that after making any reasonable allowance for the steel strike in 1919, and taking into consideration the extraordinarily heavy cost on the railroads of the coal strike in 1919, I think that the difference between an increase of 81 per cent in the cost per unit for the Steel Corporation as compared with 61 per cent increased cost per unit for the railroads emphasizes very strongly the view that these increased costs were due to war conditions and not in the case of the railroads to the fact of Federal control.

Of course, the operating costs of the railroads, broadly, can be attributed either to increases in the cost of materials and supplies or to increases in the cost of labor. As to materials and supplies, the railroads simply had to pay, as other people had to pay, the prevailing prices, making every effort to get the benefit of competition where there was any chance of it.

The final result, though, was that materials and supplies cost the railroads as they cost other industries more than they had before, and I believe they would have cost the railroads, at least as much under private control, and I am strongly inclined to think they would have cost more, because I believe the Government, as a single purchaser, was probably able to do better than the railroads would have done competing against each other in the narrow market that existed a good part of the time.

WAGES OF RAILWAY EMPLOYEES.

(See p. 93.)

As to the labor, there has been a general view that the Railroad Administration had abnormally increased the wages for labor. My opinion is that that is erroneous. Of course, the wages of railroad

labor increased very largely but they increased very largely everywhere else, and I believe, taking the country as a whole, while of course there are exceptions to it, the increase for railroad labor followed the increase for other labor and did not precede it. This, perhaps, was not true in some parts of the country, but I believe, generally speaking, it was true. My estimate is that by the end of 1919 the increased price per hour of railroad labor was somewhere between 100 and 106 per cent over what it was in 1914; in other words, labor had a little more than doubled in the cost per hour. The Department of Labor has made a report on the increased pay per hour in the steel and iron industry to labor, and it indicates that the increased cost in the steel and iron industry in the year 1919, as compared with the year 1913, was about 120 per cent.

The wages on the railroads for 1913 were substantially on the same basis as in 1914, so that the figure I have indicated of from 100 to 106 per cent increase in the cost per hour of railroad labor would apply, comparing 1913 with 1919, as well as comparing 1914 with 1919. Taking that just as a suggestive illustration I emphasize it, because it shows that private industry was affected by the same conditions that affected railroad labor. In addition to that, I think it is probably also true that prior to Federal control railroad labor was relatively underpaid to a greater extent than a great deal of labor in outside industries; but aside from that, I believe the increased cost per hour of railroad labor was not out of line in any sense with the increased cost per hour of labor in other lines of industry taking the country as a whole.

There is one feature of the increases in wages on the part of the Railroad Administration which has served to emphasize the idea that the increases were exceptional, and that is that the Railroad Administration adopted to a large extent a policy of standardization, within certain limits, establishing the same limits for wages throughout the country. The result of that undoubtedly was in some parts of the country to make the increase much greater than the average increase to which I have referred. I am thoroughly convinced, however, that that policy of standardization worked both ways, and enabled the railroads to keep down the rates of pay in a large part of the country below what they would have been if the policy of standardization had not been adopted.

The employees very strongly believe in the policy of standardization, and in order to get that they have been forced to realize that they could not get the highest prevailing rate, but that if they got a standardized rate it had in some way to reflect the general average. The result is that in many places the rates we have paid have been very much below the rates paid by other industries for similar classes of labor. In other places the rates paid have been above. It is the cases where they have been above that have created the impression that the railroads were paying extravagant wages, but the general average rates, which have been put into effect as a result of the policy of standardization have, I think, compared favorably with the general averages for the country as a whole, and as I have indicated, taking the steel and iron industry, the amount of the increase is substantially less than in that industry.

NUMBER OF RAILWAY EMPLOYEES UNDER FEDERAL CONTROL.

(See p. 193.)

There is another element connected with the cost of railroad transportation which has attracted a great deal of attention, and that is the number of employees. There has been a great deal of comment on the fact that more employees were used during Federal control than prior to Federal control, and the inference has been drawn from that that some sort of policy had prevailed during Federal control of employing unnecessary labor, and that in that way the pay roll had been swollen. There again, I am satisfied from my contact with that matter and from my discussions throughout the country with the Federal managers and their subordinates, and from my study of the figures, that that impression is altogether erroneous. The real explanation of the increase in the number of employees during Federal control has been the adoption to a larger extent than was formerly the case of the eight-hour day. The eight-hour day had been established to a considerable extent prior to Federal control on some railroads as to some classes of employees, but it was not universal as to any classes. On a good many railroads the standard day was 10 hours as to nearly all classes of employees; although even there, I think that as to the clerks in the general offices eight hours was regarded as the usual day. However, generally speaking, the standard day was considerably more than eight hours prior to Federal control, and during Federal control the eight-hour day was adopted very generally as the standard day.

That represents a policy for which, to a considerable extent, the Railroad Administration is responsible, although that, in turn, was somewhat responsive to general conditions. It is, however, as I have said, a policy for which a large measure of responsibility attaches to the Railroad Administration, and my personal judgement is that it was a wise policy and in the public interest. It is that policy which explains, broadly speaking, the increase in the number of employees. I think that can be illustrated in an interesting way by comparing the year 1919 with the year 1916, which is the first year for which we have statistics compiled according to the requirements of the Interstate Commerce Commission, and for which we have the necessary data in any complete way. The commission started these statistics for the year 1915, but we found that the statistics for the first year were very incomplete, and the year 1916 was the first one where the statistics seemed to be reasonably complete. The number of employees on the class 1 railroads in 1916 is reported as 1,647,097, and in 1919 it is reported as 1,891,607, showing an increase in those two years of over 200,000 employees. But that is explained by the fact that in the year 1916 the employees worked an average of 263 hours per month, and in 1919 they worked an average of 226 hours per month, the reduction in the number of hours per month being due to the establishment to a greater extent of the eight-hour day.

The result was as I have already pointed out. I have shown that the increased cost per hour of railroad labor averaged somewhere between 100 per cent and 106 per cent in 1919 as compared with 1914 or 1913, and in estimating the increased cost of labor, putting it on the basis of the cost per hour, you will see, when it is worked out, that it is not dependent upon the number of employees but the

number of hours they work, because they are paid by the hour and are not paid a fixed sum per employee. For the year 1916, with which I am dealing, the number of hours worked was actually more than in 1919. There were 5,189,000,000 hours of work in 1916, and 5,126,000,000 hours of work in 1919. If we take the year 1916 as the basis and say that the hours worked in that year represented 100, then the hours worked in 1919 would represent 98.8, being actually less than in 1916, although the number of employees was largely greater in 1919, due to the fact of the shorter working day. While the Government during 1919 actually paid for less hours of work than were paid for in 1916, more business was done. The freight, measured by the ton-mile, was almost exactly the same in 1919 as in 1916. I might say in passing that that was despite the fact that the first few months of 1919 were very bad. During the last few months we had a very large business and it averaged almost the same as the business for 1916, being two-tenths of 1 per cent more than in 1916. The passenger business was 33 per cent more in 1919 than in 1916, so that the railroad business, passenger and freight, was substantially more in 1919 than in 1916, although an actually less number of hours of work were paid for, and that, notwithstanding the fact that there were 200,000 more employees.

That is due, as I said before, to the fact that in 1916 the employees averaged 263 hours per month, while in 1919 they averaged 226 hours per month. That is the difference in policy in 1916 as compared with 1919. I personally do not believe that it is a good policy to have a standard day which brings about that amount of work, or 263 hours per month on an average for all the employees. I do not believe that it gives them adequate time for rest, and I believe that the employees are entitled to a more reasonable work day than that. I think that the result in 1919, whereby we had an average of 226 hours per month, shows that it is a much more reasonable and justifiable standard from every standpoint.

I want to emphasize this fact, that the pay is based on so much per hour, and that when we estimate the increased cost per hour, in 1919 as compared with 1914 or 1913, at a given amount, which was from 100 per cent to 106 per cent, we have dealt with the entire situation, because no further increase arises from the fact that the work day has been shortened, because that means that every employee would earn relatively less per day than he would have earned if he had worked a longer day. In that connection I would like to emphasize the fact that while the pay per hour to employees has increased, as compared with 1914, from 100 per cent to 106 per cent, yet their earnings have not correspondingly increased, because their day has been shortened, and their earnings have probably increased something over 80 per cent, and not 100 per cent, due to the fact that the eight-hour day was substituted for the ten-hour day.

There has been so much disposition to seize that mere fact of the increase of the number of employees as evidence of some inefficient policy of the railroad administration that I have felt that it was due to the situation, and, indeed, to the employees as well as to the Federal railroad management, to point out that the increase in the number of employees is due to this change in policy as to the length of the working day, and not to a change in policy which produced unnecessary employees. Let me say in that connection, that, aside from

this matter of the length of the standard work day, which, of course, was established by the railroad administration, the selection of the employees, without any qualification whatever, has been left to the local railroad officers, the railroad administration has not done anything that would have any general effect which would influence the number of employees. The railroad officers who were in charge of the railroads during Federal control were the same that were in charge of them before Federal control, and they are the same as are in charge of them since Federal control, broadly speaking. I am speaking now of the rank and file of the railroad officers in charge of the property. Of course, the chief executives were out of contact with the properties during most of the period of Federal control, but the men who actually determined how many employees there should be, such as train masters, master mechanics, and roadmasters, and their superior officers, such as the superintendents, general superintendents, general managers, and on up to the operating vice presidents, were, generally speaking, just the same, with a few slight exceptions, as had existed prior to Federal control and as now exist.

Therefore, the number of employees has been determined by their own view of the necessities of the situation as railroad men, subject, of course, to the qualification that they had to get enough men to keep up the work on the basis, generally speaking, of the eight-hour day.

EFFICIENCY OF RAILWAY EMPLOYEES.

There has been another element that, I take it, you will find that business men throughout the country will comment upon, and that is that there has been a spirit of unrest which developed during the war and since the war, and which has made for less efficiency in all labor. There is more of a disposition on the part of men to look for another job, and to change around. They pay less attention to their work. I have been coming in contact with business men who have stressed that in discussing their own business. Of course, the railroads have not been free from that condition, but the impression I get from my contact with various business men who have been talking with me about this condition is that the railroads have been a great deal more free from it than business generally, and that the increase in the number of employees on the railroads, has been due, generally speaking, to the change in the length of the working day. That, as I have said, does not represent an increase in the pay which the railroads have to make, because we pay so much per hour.

In the light of these considerations, I am clear in the conviction that it is altogether a mistake to adopt the view that the Federal control of railroads made the operating costs more than they would have been under private control. I think that the contrary is the case. I believe that there were various unifications which were possible under Federal control which saved substantial amounts of money and which could not have been saved under private control to the same extent, and that the things which increased the cost under Federal control would have increased to an equal extent the cost under private control, taking the country as a whole, although, of course, there would have been variations. They would not have had the benefit of those economies due to unification.

COST OF FEDERAL CONTROL.

There have been widespread claims that Federal control has cost $800,000,000 or $900,000,000, and the implication goes with this statement that if private control had continued during that period there would not have been that element of cost—that is, that the railroads would have been operated by the railroad companies at a total saving to the public, which pays the cost either in the form of freight rates or taxes, of $800,000,000 or $900,000,000. I have expressed my opinion, and have given my reasons for it broadly, that the increased cost has been only in line with the increased cost in private industry, and has been due to the war conditions and would not have been avoided by private control. The real element involved in this question is that, growing out of the peculiar conditions which confronted the Railroad Administration, transportation rates were not raised soon enough and often enough to pay the full element of cost, leaving an amount which, for the Class 1 railroads, was something like $700,000,000 less than the cost of doing business.

My proposition is that the cost was a perfectly reasonable cost, and it was less, if anything, than it would have been under private control. So that the question comes up, why was not that reasonable cost fully met by an increase in the rates, and why, instead of meeting it by an increase of rates, was a policy adopted which involved a part of the cost of transportation being made good out of the Treasury instead of being paid by the shipping public? I want to discuss that question of policy.

To start with, the increased cost began coincidentally with the beginning of the Railroad Administration. The prices of materials and supplies had been rising right along; railroad labor had been insistent on having a wage more commensurate with the cost of living and with what was being paid in other industries, and some classes of employees had virtually threatened to strike against the private managements, beginning January 1, 1918, if they were not given a very substantial increase in pay. Very generally, the wages prevailing in 1917 were far below those prevailing in private industries due to war conditions.

WAGES OF RAILWAY EMPLOYEES.

(See p. 88.)

As an outgrowth of that situation, the railroad employees were advised shortly after the beginning of Federal control that a commission would be promptly appointed to consider the problem of their wages, and that the action taken on the basis of the report of that commission would be made effective as of January 1, 1918. The result was that this unrest, which was of a most widespread and intense character, was tranquilized. The employees felt that, while for the time being they were getting much less than they needed, and much less than other labor was getting, yet it was only a question of a few months when they would get back pay and would have their pay put on a reasonable basis. So that, as a result of that necessary policy, the action of the wage commission became effective to a substantial extent from January 1, 1918.

INCREASE IN RAILROAD RATES.

It was physically impossible, however, to make any increase of rates retroactive. That, necessarily, had to be prospective only. The matter was taken up promptly in the light of conditions as they existed in the early spring of 1918, with all the expedition that could be adopted, and, with full use of the war power, a new rate basis was established without any public hearings whatever, but the rates could not be put into effect until in June.

On June 10 an increase was put into effect in passenger rates where they were less than 3 cents per mile to 3 cents, but where the rates were 3 cents or more per mile they were not changed at all. On June 25, an increase was put into effect in freight rates approximating 25 per cent; but that means that to start with we had almost six months in 1918 of increased expense which could not be met by the increase in rates. The rates, necessarily, have to operate prospectively, and can not operate retrospectively, and so that starting point is a feature that we have to take into consideration. In the year 1918, therefore, the increase in rates was effective for six months and six days, as to the freight rates, and six months and 21 days as to the passenger rates, while there were 12 months of increased costs, the costs also mounting, more or less, as the year went on. Therefore, at the end of the year 1918 the revenues were below the expenses; but that was not necessarily due to the fact that the rates at the end of the year 1918 were not equal to the expenses at the end of 1918. But the excess of cost in the early part of 1918 seemed to be, in any event, an amount which could not properly be taken care of by increased rates which could operate only prospectively.

The real question is whether the Railroad Administration in the early part of 1919 should have undertaken to increase the rates. Now, in a sense, that is water over the dam, and perhaps a good deal of time ought not to be taken up in discussing it, but still I believe it will be of interest to the committee to have in mind the considerations which appealed to me in regard to that.

Broadly, there are four points that I want to mention as having a bearing on that situation: In the first place, the conditions in the spring of 1919 were highly abnormal and were changing very rapidly, and any increase in freight rates in the spring of 1919 would have been clearly a leap in the dark, because nobody could make an intelligent forecast as to the future. The country was going through a very sudden slump in business, due to the readjustment following the armistice, and it was a question whether that slump was going to continue, or was purely temporary. The basis of the ton-miles per mile of road per day is a convenient and reasonably small unit to deal with in measuring freight business and is used here to illustrate the point. The month of January, 1919, showed a little better than 1918, although it was considerably worse than 1917. In January, 1918, the conditions were very bad on account of the weather. The month of February showed less than January, and it was less than was shown by February of 1918, and February of 1917, The month of March showed a very great falling off. There was a 20 per cent reduction in the amount of business done in March, 1919, a compared with 1917, and a considerably larger reduction

as compared with 1918. For the month of April the showing was the same, and in the month of May the improvement began. There was the greatest speculation as to how the situation was going to develop. It was obvious that if this falling off in business was going to continue there would be a very large shortage of revenues and they would fail by a large amount to meet the expenses, because the expenses could not be cut down in proportion to the way business was being cut down.

Yet, if we had undertaken at any given date, in February, March, or April, to predicate an increase in the rates on the conditons as they then existed, we would have been challenged upon the ground that this was a temporary situation, and that upon the basis of such a temporary situation, a permanent increase in rates ought not to be made. I take it that if any increase had been made in the spring of 1919 based simply on those temporary results, it would, perhaps, have had to be 25 per cent or more over the existing rates, or it would not have met the situation, and would not have contained any reassurance. Even if that had been attempted, or if we had resorted to some drastic methods that we might have felt justified in using during the war, in June, 1918, it would have been probably two or three months before it could have been put into effect.

I call attention to the following statement, by months, of ton-miles per mile of road per day, for 1917, 1918, and 1919, as illustrative of the exceptional and prolonged slump in the spring of 1919:

	1919	1918	1917		1919	1918	1917
January	4,275	3,878	4,770	July	4,878	5,487	5,441
February	4,002	4,591	4,511	August	5,075	5,691	5,351
March	4,059	5,273	5,192	September	5,625	5,731	5,217
April	4,124	5,471	5,257	October	5,651	5,584	5,385
May	4,524	5,226	5,617	November	4,711	5,155	5,298
June	4,615	5,423	5,694	December	4,688	5,184	5,121

The second point I want to emphasize is that the rate structure is infinitely complex. It can not be revised at the stroke of a pen, as has been assumed by a good many critics of the Railroad Administration. The passenger rate, of course, is relatively simple, although that involves a good many complications, but I think it is generally recognized that any additional revenue should be derived from an increase in freight rates rather than an increase in passenger rates.

Now, the freight-rate structure is a matter of growth. It is a sort of resultant of the history of business ever since railroads began to operate in this country. It is bewildering in its complexity, and it has to be handled with the greatest caution in order to avoid far-reaching disruptions of business. I think that can be illustrated by a brief statement of our experience with the rate increase in June, 1918. That was made as a war necessity, and was accepted as such by the public. We devoted approximately two months to the study of that problem before that rate increase was put into effect, and endeavored in every way possible to minimize the disturbance of existing rates and relationships. We had at work on that problem the best railroad traffic experts in the country, and they were fully alive to the amount of disturbance that would come from any unwise methods of putting rate increases into effect. After a most careful

study, a plan was developed which we believed, and which I believe now, was the best plan which could have been developed, and which minimized the disturbance as much as in any far-reaching rate increase we could minimize the disturbance. That method was made to become effective as to freight rates on June 25, 1918.

Despite all of our efforts and the efforts of the best railroad traffic talent in the country that was put to work on that problem so as to make that increase with the least possible disturbance to business, the result has been that we have had 33 freight traffic committees sitting in various parts of the country, with representation of them from shippers as well as the railroads, at work on that problem for practically a year and a half, and we have made 20,000 authorities changing the rates so as to remove the inequalities and disturbances which unavoidably grew out of that nation-wide increase in freight rates. The matter is so complicated and so interrelated that it is impossible to adopt any quick way of making a general increase in freight rates. That period of readjustment has followed this perfectly necessary rate adjustment in June, 1918, and one that was made with the greatest consideration practicable for the necessities of the situation. It is clear to me, after our experience with that increase in 1918, that any sudden large increase made in the spring of 1919 upon grounds that were highly speculative and rapidly changing would have been a great injustice to the public, and would have added an amount of business disturbance growing out of the rate readjustments which would have made it exceedingly unwise unless the necessity for it was of the clearest character.

The third point I want to emphasize is that in the spring of 1919 the war-time method of changing rates was no longer appropriate. Under the Federal control act the President had been authorized to initiate rates and to put them into effect without going before the Interstate Commerce Commission and State commissions and without any power in the Interstate Commerce Commission or the State commissions to suspend the rates. That method was necessarily used in the freight increase which was made in June, 1918, and I might say that it was accepted in a patriotic spirit by the public as a war burden and the method was accepted as a war burden and the public appreciated that they had to forego what they had been trained to consider their right to have rates reviewed before the usual rate-making tribunals, prior to the rates going into effect. They understood, and went along in a most patriotic spirit, that they had to forego that usual method during the war.

But when the armistice was signed there was a pronounced reaction on the part of the public against the exercise of any such power. That was strongly manifested in the hearings of the Senate committee in January and February, 1919. There was the greatest criticism of the disturbances that had grown out of the rate increase made as a war measure in June, 1918, and a bill was proposed giving the Interstate Commerce Commission the power to suspend any rates initiated by the President, and that bill was favorably reported to the Senate on March 3; it was avowed that if the appropriation then pending was pressed to a vote in the Senate that that bill would be put on it as a rider. That was simply indicative of the strong public sentiment against the making of a rate increase without a prior hearing by the Interstate Commerce Commission.

The public hostility toward the exercise in 1919 of the President's emergency war power to make increases in rates was emphasized by the passage of Senate bill 641. This was reported in the Senate May 23, passed the Senate June 12, was reported in the House with amendments August 13, and was passed by the House September 24. The conference report was adopted in the House October 30 and in the Senate November 3. By the bill as thus finally passed not only was the Interstate Commerce Commission given the power to suspend interstate rates initiated by the President but the President was in ffect prohibited to increase intrastate rates without the prior approval of the State commissions. This bill was vetoed but the veto message indicated acquiescence in the view as to the propriety of giving the Interstate Commerce Commission the power to suspend rates initiated by the President.

It was perfectly clear, in view of that sentiment, that any rate increase which we might propose in the spring of 1919 would practically have to be referred to the Interstate Commerce Commission for a hearing and report and that, therefore, beyond any doubt, in view of its far-reaching character, it would take a period of some months for its appropriate investigation.

It seemed impracticable under those conditions to formulate and submit to the commission a rate increase which was based on such speculative grounds with the conditions changing every day and in the midst of the greatest doubt as to whether they were going to get better or get worse, and the amount of the increase depending on whether they got better or got worse. That consideration was one of the important elements, in my mind, which made it clear to me that we ought not to attempt to formulate in the spring of 1919 a scheme of increased rates, because to make it enough to take care of the situation for the time would have made such a large increase as to be very disturbing to business interests; and yet the grounds for the action would have been of the most speculative and doubtful character; there would have had to be this prolonged investigation before the commission, and meanwhile business would have been kept in suspense as to when the rate increase would go into effect and as to how much it would be.

The policy I adopted, I think, was fully justified by the developments during the summer. Business began to pick up in May, and the improvement was marked from that time on. In the month of July we showed a slight excess of revenues over expenses, although, I think, by reconstructing the matter to reflect certain wage adjustments, there would have been a slight shortage instead of a slight excess, but very slight. August, September, and October made favorable showings, and the indications were that on the basis of the favorable results in those months the amount of a rate increase necessary to take care of the expenses for the future would be comparatively small, probably not 5 per cent, and yet the proposal of 5 per cent, or anything like, that in the spring would have seemed to be utterly hopeless because it was so much less than was then indicated. These favorable conditions continued up to the time of the coal strike.

That was a condition which could not be foreseen, was not foreseen in the spring or summer, and nothing could have been predicated

upon it, and yet that was one of the most costly developments of the year to the Railroad Administration. As I recall, our expenses exceeded our revenues by about $114,000,000 in the months of November and December, 1919, and my best judgment is that nearly all of that was due to the abnormal conditions created by the coal strike, the loss of business, the extra cost of doing business, and the abnormal routes over which coal traffic had to be hauled. Growing out of the strike, about 60 per cent of the soft-coal production of the country was shut off; nearly all of the soft coal that was produced in the country was produced by the remaining 40 per cent, which was in Pennsylvania, Maryland, and West Virginia, with some in Kentucky and Alabama and some scattering amounts elsewhere. The result was that the railroads had to haul coal from these mines in the Appalachian fields into the Middle West, perhaps 1,000 or 1,500 miles, to destinations ordinarily supplied by mines within 100 or 200 miles of those destinations. The disruption of equipment and the excess cost incident to that circumstance and unexpected development involved a tremendous element of cost which, of course, could not have been foreseen and could not have been taken into consideration in any rate increase made before that. But without that coal strike, any rate increase predicated on a normal business as manifested by conditions in the late summer and fall would have been small.

As conditions developed it never became necessary for me to make an estimate in regard to that but I have the general conviction it would have been so small that it would have had no appreciable effect on the total amount by which the expenses during Federal control had exceeded the revenues, because we had the six months of 1918, with no increased rates and with increased expenses and we had, you might say, the six months of 1919, from January to June, where the falling off was due to a slump in business, which could not have been offset by any rate increase made in time to take care of it. So the great bulk, in fact, practically all, of this amount of approximately $700,000,000, aside from what resulted from the coal strike, would have been incurred even if we had made an increas in the summer or fall based on the business we were doing in the summer or fall.

The fourth point is that this question of rate increase had a very important relation to the wage problem. The railroad employees of practically all classes had begun along in—well, the shopmen had begun in January, 1919; at that time they had asserted a demand for an increase in their basic rate from 68 cents, then prevailing, to 85 cents; other classes began asserting their demands along in June and by the end of the summer practically all classes had asserted very important additional wage demands, basing them on the fact that the cost of living was continuing to go up and that other industries were responding to that condition by making increases in the wages of their employees. The amounts which were urged indicated that to meet them to anything like the extent proposed, or even to the extent which had been recommended by the three labor members of the Board on Railroad Wages and Railroad Conditions, would probably add $800,000,000 a year to the operating costs of the railroads, and they were based largely on the claim that the cost of living was continuing to go up.

The President appealed to the employees to hold in abeyance these general wage increases until there could be a better opportunity to estimate the trend of the cost of living. He urged that the conditions, apparently, were changing, and that a permanent increase in wages ought not to be based on what appeared to be a temporary increase in the cost of living. The employees patriotically responded to that appeal and practically all classes of railroad employees acquiesced in a suspension of these demands. There were certain readjustments made to correct inequalities, but apart from that the whole wage situation remained throughout 1919 where it had been fixed during the war and in the early part of 1919, and that was on the theory that the President had advanced (which, I think, was eminently wise and proper, under the circumstances, and very much in the public interest), that the matter ought to remain in abeyance until a better estimate could be made as to the cost of living. It is clear that that appeal could not have been effectively made and no favorable response could have been expected to it if at the very time the employees had been appealed to to withhold their demands (on the ground that this question of the cost of living was not developed to the point where it could be taken as a basis for permanent action), the Railroad Administration had gone ahead and made a substantial increase in rates. The two matters had a very intimate connection and the rate increase, I believe, could not be made consistently with the policy adopted as to the wage matter, which I think was an eminently just policy and very much in the general public interest.

Undoubtedly if the rate increase had been made it would have operated to stimulate further increases in the cost of living, because it would have given a pretext to every manufacturer and dealer—in all cases a plausible excuse, to some extent, and in many cases a pretext if not a justifiable excuse—for making substantial increases in prices. So it seemed to me that that was an additional and very important reason why this policy of awaiting a proper and more satisfactory development of the situation ought to be adopted. Of course, I have not deceived myself by thinking that the cost of transportation could be kept from having an influence on the cost of living because there was no increase in rates, for I know that in some form the cost has to be borne and in some form it finds its reflection in the cost of living; but I have had very clearly the view that an increase in rates would be such a stimulus to a readjustment of prices that there would be a greater increase in the cost of living than if, for the time being, the difference between the existing revenues and expenses were borne out of the Treasury without an increase in rates. In making that statement I want to emphasize again that what had been indicated in the way of an excess of expenses over revenues in the spring of 1918, due to the necessary delay in making increased rates effective, and, as I looked at it in the spring of 1919 due to the falling off in business, could not be recouped in any event by any subsequent increase in rates; that in any event that would have to be met out of the Public Treasury. So, after all, the practical amount involved was only the excess of current cost over current revenue in the latter part of 1919, and to carry that excess for the time being through aid from the Treasury promised to have much less effect on the cost of living than if there was a change in rates which would stimulate a change in prices throughout the business world.

So they were the four general considerations which led me to believe that a general increase in freight rates, to meet these rapidly changing conditions in 1919, would be unwise and contrary to the public interest.

Let me add as a fifth point that, in view of the obstacles I have already discussed, it would clearly have been impracticable to put actually into effect any adquately considered general rate increase in 1919 until very late in that year and probably not at all until the early part of the year 1920. It was clearly understood and expected until some time in the month of December, 1919, that the railroads would be returned to private control on December 31, 1919, and it was not until late in December that a 60-day extension of Federal control was made to give more time for the completion of legislation designed to facilitate and regulate a resumption of private control. Therefore any increase so put into effect would have been of no benefit in making up for the excess of expenses over revenues resulting from there being no rate increase practicable in the first six months of 1918 and the additional excess of expenses over revenues resulting from the severe slump in business in the first six months of 1919, so that the consequence would have been that practically the entire deficit shown by the Railroad Administration, except that part caused by the coal strike, could not have been taken care of in any event by any such rate increase.

Consequently a rate increase so brought about would not have aided materially to benefit the Treasury of the United States during the period of Federal control, but its real effect would have been to benefit the railroad companies after their resumption of control of the railroads. It seemed to me that it was far better for rate increases for the benefit of the railroad companies to be made through the normal statutory processes rather than through an effort to exercise the President's war power and, besides, the war power of rate initiation conferred upon the President was evidently intended to be used to meet the cost of unified operation during Federal control and not to readjust the rates so as to apportion the rate benefits appropriately between the different railroad companies so as to support the individual necessities under private management when not being operated under unified control.

Whatever authority the President had under the Federal control act to increase rates was for the purpose of paying the expenses of Government control of the railroads operated as a unit. It is an entirely different thing to undertake to work out a plan of rate increases to take care of railroad companies under private management separately operating, and that was an additional element which was clearly in my mind. A good many of the railroad people had the feeling that the Government should raise the rates so as to make the railroads clearly self-supporting by the time they went back to private control, but it was clear to me that no such power had been delegated to the President and that any effort on his part, through the Railroad Administration, to exercise it would be challenged and would be subject to a great deal of antagonism and, perhaps, complicate the realization of an ultimate satisfactory solution. For example, I feel that under Federal control a flat increase for the whole country would have met the requirements, but it would not have met the requirements at all as to the railroad companies operating separately. The

conditions in New England and in the South were different from each other and different from other parts of the country. The conditions in trunk line territory and Central Freight Association territory were different from those in the West and Southwest; so that a flat increase of the sort that would have been appropriate to meet the increased Government expenses would not have restored the relative earning capacity of the various railroad companies under private management.

It was clear that.that question must be dealt with as a question between the railroad companies and the public before the Interstate Commerce Commission in the usual way. So that if we had undertaken, under these changing conditions and in the face of the considerations I have mentioned, to make a rate readjustment at any time in the year 1919 it would not have been a substitute for a further thoroughgoing readjustment when the railroads went back to private control. These considerations were put before the railroad companies in an informal way along last September and in a formal way in October, and it was suggested that they formulate their plans as to the sort of rate increase which they felt would be necessary to put them on a proper basis after the expiration of Federal control, and we tendered all our forces to aid them in doing that. They took that matter under consideration and actively went to work on it, but the plan of the new bill, whereby it seems contemplated that the commission shall initiate a scheme of rates, seems, to some extent, at any rate, to have brought about a different procedure from that which the railroad companies were contemplating when they entered last fall on this study of a readjustment of the rates.

I want to say that when I approached this matter last spring I felt instinctively the validity of the reasons which I have set before you. I have lived with this matter ever since—I have discussed it repeatedly with people who have viewed it from every possible different angle—and all of my contact with it and study of it confirm me in my conviction that it was far more in the public interest to handle this rate matter as it was handled than it would have been to attempt to make a general rate increase at any time in 1919. I think the attempt would have caused a great deal of prolonged discussion and uncertainty and in the long run would have left results less satisfactory than they are at present in the various ways that I have attempted to point out.

This discussion brings me back to this general proposition, that the amount which the Government has advanced and needs to advance out of the Treasury in order to make up the difference between the expenses and the revenues of the railroads under Federal control has not been due to the costs being excessive but has been due to the fact that the conditions were changing so rapidly and there were so many elements involved that the rates could not be advanced in sufficient amount and often enough to keep pace with the rapidly changing conditions, and that this is not an element of cost which the public would not have borne without Federal control but is simply an element of cost which is expressed in a different form and to be met in a different way but after all met by the public.

Of course, as a permanent proposition I take it there will be no disagreement that an enterprise like the railroads, whether under

Government control or under private control, ought to be self-supporting, but we have a situation where the expenses, in a time of such rapidly changing conditions, manifested themselves before any rate increases could possibly manifest themselves, and the result is that there is this very substantial excess of expenses over revenues to be met out of the Treasury. My judgment, after looking at it with hindsight as well as having tried to look at it with foresight is that the policy adopted by the railroad administration was vastly more in the public interest than any other policy that could have been adopted with reference to the rate matter, and I am satisfied that the costs, broadly speaking on the average for the country, were not more than would have been incurred under private control but were less.

CLAIMS FOR MAINTENANCE.

(See p. 83.)

There is another general matter tha I wanted to explain to the committee. My letter to the Secretary of the Treasury, which the chairman has incorporated in the record, indicates that "no allowance has been made for the settlement of claims on the part of the corporations for undermaintenance of their property during the period of Federal control," and explains that "while there may be such claims on the part of some corporations, there will be, on the other hand, claims by the Government against other corporations for maintenance of the property in excess of the contract requirements which may require the payment of sums by the corporations to the Government. In the absence of final figures it seems best not to make any estimate of the net amount required to settle maintenance claims."

That question of maintenance is one of great complexity. The contract gives two methods of defining the obligation of the Government. The general obligation is that the Government shall return the properties in substantially the same condition in which they were received; then there is a proviso to the effect that that obligation may be regarded as having been complied with if the Government shall have expended per annum on the properties during Federal control amounts equal to the average annual expenditures for the same purposes on the properties during the three years' test period, after making an allowance for the increases in the cost of labor and the increases in the prices of material. The working out of either of these standards to determine whether the Government has complied with its obligation is a tremendously complex matter. The method of comparing the expenditures during Federal control with the expenditures prior to Federal control is largely an accounting matter that has to be worked out on the basis of returns made by the accounting officers. These returns necessarily must be viewed for the entire period of Federal control in order to arrive at a correct conclusion.

These returns necessarily are not yet in for the entire period, and pending their receipt and analysis, it will be impracticable to form a reliable judgment. We have had various tentative figures which were made by the regional directors during the period of Federal control, but they would necessarily have to be reviewed in the light

of the more accurate accounting returns. On the whole, my judgment has been and is that the Government is not warranted in assuming that there will be any net amount due by it to the railroad companies for undermaintenance. No doubt some particular company may be able to claim, with great plausibility, that as to some particular branch of its property more maintenance ought to have been applied, but I believe these claims will be largely dispelled by viewing the situation of each company as a whole; and even if in some cases a particular company should be able to sustain a claim for a net amount, there is the probability that the Government would be able to sustain a claim of equal amount against some other company for overmaintenance. Viewing this entire situation, it has seemed to me there was no basis at present for the assumption that any additional amounts would have to be appropriated to take care of any possible balance of claims for undermaintenance in excess of claims the Government may maintain for overmaintenance. The matter is necessarily of a controversial nature and it would clearly be inexpedient for the Government to undertake in advance of getting all the facts to commit itself either as to any particular company or as to companies generally, because such commitment, if favorable to the Government, would not be allowed to operate in its favor; and if unfavorable to the Government, might be seized upon and used to the Government's detriment.

CONTINUANCE OF RAILROAD ADMINISTRATION FOR SETTLEMENT WITH RAILROADS.

There is one other general proposition about which I wish to speak to the committee, and that is about the work remaining to be done by the Railroad Administration. Its connection with the operation of the railroads terminated on March 1, but its other highly important function of making a settlement with the railroad companies remains still to be performed in large part. The transactions involved in the Federal control of the railroads are of the most extraordinary scope even when the railroad operations during Federal control are left out of question. Perhaps there is no other instance in history where any government has taken over a property of such great extent and temporarily used it and then turned it back to its owners. The property approximates 250,000 miles of railroad, and is variously estimated at being worth from $15,000,000,000 to $20,000,000,000, and has been in the possession and use of the Government for 26 months. The questions which will arise for settlement with the corporations are almost innumerable.

COMPTROLLER'S DIVISION.

To begin with, there must be the most careful supervision of the accounts. This is requiring and will continue to require a very large accounting force which is under the direction of the comptroller of the Railroad Administration and which must examine the numerous accounts and records pertaining to accounts of all the railroad companies and check them and see the extent to which errors have been made, and get at the basic figures to be used for

the final settlement. This, of course, will be one of the most extensive branches of the work and will call for perhaps the principal part of the force of the Railroad Administration.

DIVISION OF LIQUIDATION CLAIMS.

(See p. 181.)

In addition to this important work of auditing the accounts between the Director General and the corporations, and preparing the statement on which the final settlement will be based, the comptroller is charged with the responsibility of verifying the cost of constructing the equipment contracted for by the Director General under conditions which require the determination of actual cost to the builders. This work will require a large force of cost accountants in the field for several months. As the total cost of the equipment is approximately $380,000,000, this branch of the work is extremely important.

It is also the duty of the comptroller to supervise the winding up of the affairs of the Federal operation of the property. While the details of this work are carried on by the corporate accounting officials as agents for the Railroad Administration, it is necessary for the comptroller to carefully supervise the work in order to insure that the interests of the Government are properly protected.

Again, a great many practical questions will arise as to whether the materials and supplies which the Railroad Administration turned back to the railroad companies at the end of Federal control were the equal in quantity and character of the materials and supplies received at the beginning of Federal control.

To a large extent that is an accounting matter, but also to an important extent there is the matter of prices. The Government under the contracts will have to take that into consideration in making its settlements, and there will have to be an important force maintained to analyze that subject and ascertain the prevailing prices at the end of Federal control, consider the actual state of the materials and supplies turned back and consider the amount of money the corporation owes the Government, or the amount of money the Government owes the corporation, in order to settle for the materials and supplies, bearing in mind, to the extent contemplated by the contract, the prices prevailing at the end of Federal control. This work will be one of the sections in charge of the director of the division of liquidation claims.

The maintenance matter will also require a great deal of expert engineering knowledge because under the contract the matter of prices for materials used in maintenance and the matter of wages for maintenance labor during the entire period of Federal control must be compared with the prices and wages during the three-year test period, and this necessarily will depend upon the work of experts in the maintenance of equipment and in the maintenance of ways and structures. There is another class of work which will be handled by the same experts who handle these questions of maintenance prices and wages, and that other class of work relates to the claims which the railroad companies may make, where they believe that improvements have been charged to them which could not be justified as proper with reference to the traffic of the particular company. Some of the companies will probably claim that certain improvements with

which they have been charged ought to have been regarded as merely for war purposes, and therefore not chargeable to them.

This will call for a technical investigation of the property and a consideration of the claims of the companies. These matters will be in charge also of the division of liquidation claims, one section of which will have charge of maintenance of equipment and along with that any additions to equipment which may be challenged by the companies; and another having charge of maintenance of way and structures, and along with that any additions and betterments to ways and structures which may be challenged by the companies. These activities of the division of liquidation claims will necessarily continue until final settlement shall be made and will require a substantial force. The details of this work as far as they can now be foreseen, can be supplied to the committee.

Another important branch of work which is also in charge of the division of liquidation claims is the settlement of claims made for reparation. Whether the railroads are under private or public control, shippers from time to time claim that the rates charged are higher than ought to have been charged, and that with respect to shipments already made there should be refunded to them a part of the rate paid. Necessarily during Federal control the normal number of cases of that sort arose, and they will have to be handled by proper agencies of the Railroad Administration. This work, also, is in charge of the division of liquidation claims, and will continue for some time. Likewise this division will handle claims of short-line railroads in connection with diversions of traffic in those instances in which such diversions were not made good during Federal control as well as some questions covering the proper application of the divisions of rates established between the short line and trunk line railroads by the Railroad Administration.

DIVISION OF LAW.

The Division of Law, of course, will have very important work in advising upon all the legal questions that will arise in connection with the settlements with the companies and in conducting such litigation as may grow out of these settlements if they should not be carried by negotiation to a satisfactory conclusion. It also will have in charge the supervision of the settlement, by compromise or by litigation, of claims which will be asserted against the Government on account of causes of action which arose during Federal control. The general plan of handling those matters is that they will have to be handled by the law departments of the various railroad companies, the theory being that during the period of Federal control the law department for the railroads maintained by the Government handled corresponding matters for the railroad companies which arose prior to the time of Federal control, so that the handling of those matters now by the law departments of the railroad companies will be an offset to the service which the Government performed for the railroads during the period of Federal control. In carrying on that work there will be need for an organization to supervise it in order to see that the interests of the Government are adequately protected, and therefore the Division of Law will find it necessary to maintain

at several places regional assistants who will carefully check the work that the law departments of the railroad companies are doing in connection with those claims and suits growing out of causes of action that arose against the Government during the period of Federal control.

These regional assistants will also be called upon to act and to advise in respect to a somewhat infrequent, but very important, class of cases, which, because of special circumstances, do not fall within the category of claims which the railroad companies have agreed to handle. An example of this class of problems is a pending case where the position of the railroad company is necessarily somewhat opposed to that of the Railroad Administration, since one of the questions is whether the loss was due to acts done before or to those done after the beginning of Federal control. In the first instance, the loss will fall upon the railroad company; in the second instance, upon the Railroad Administration.

A somewhat similar problem arises in the work of the Central Administration, which is called upon to handle reparation claims as to which, frequently, the interests of the railway companies are not precisely the same as those of the Railroad Administration.

DIVISION OF FINANCE.

The Division of Finance, of course, will have vitally important functions in connection with reaching and carrying out settlements with the railroad companies. The Division of Finance will have to deal with the functions which are connected with the provisions of the transportation act in determining the extent to which set-offs may be allowed; the extent to which the indebtedness of the companies to the Government will be funded, whether for a 10-year period or 1-year period, and the security that the Government will take. This work, of course, is highly important, and must continue until those matters are closed out. The result is that the work which must be done in behalf of the Government in settling with the railroad companies is a work of very great importance, and involves a very large amount of money which may be saved or lost, according to the thoroughness with which the work is done and the attentiveness with which the Government's interests are watched.

It is impossible at the moment to forecast the length of time that will be involved in this work. My thought is that in the course of the present calendar year this work will go very far toward completion, but whether the great bulk of it can be completed in that time, or within 12 months from March 1, it is impossible to foresee now. I have the general idea that after the great principles are established, and a general outline of the facts ascertained, with many of the principles of settlement established, the thing will then reduce itself to a more or less routine basis, and that a great amount of the work that must be done in connection with some of these claims must disappear entirely; and then a much more swift method of handling the remaining threads of the matter can be adopted. My judgment is that certainly through the remainder of this calendar year, perhaps until March 1 of next year, and possibly beyond that, although I doubt it, there will have to be this very important field organization in order to protect adequately the Government's interest, and, of course,

that organization needs to be supervised by competent heads here in Washington.

There is one other matter that will call for considerable additional work, and that is the settlement of the various questions relating to the detailed application of the wage orders of the Railroad Administration. There is a continuing work of that sort in connection with the railroads, either under public or private control. There must be from time to time readjustments to take care of mistakes which have been made in the application of rules and orders in regard to wages. Those matters will require supervision for some time to come. A great many matters were pending at the end of Federal control with respect to those details of wage questions, and they will have to be worked out, although a relatively small force will be required for that purpose.

I would like to call attention to the further general point, which is of very great importance, and that is that this work of settling with the railroad companies is entirely different from the ordinary governmental or departmental work, because of its entirely temporary character. The ordinary Government department is a permanent matter, and the people who enter that work can count with reasonable confidence on a career in it. This work that must now be done on behalf of the Government in settling this enormously important proposition is purely temporary. It requires experience of the very highest order, and anybody who is in it must realize that he is rapidly working himself out of a job.

There is a great demand for competent people in every line of industry, and we have had, and I think will continue to have, the greatest difficulty in getting competent people to stay on this work when they are being constantly tempted with jobs of a permanent character. They know that this work is purely temporary, and that it is simply a question of months when it will be over. That is a very practical difficulty that will confront the Government in getting adequate help. In the settlement of these matters the Government will be faced with the expert staffs of the railroad companies throughout the country. Each one of those companies will be working on these problems with the natural purpose of justifying its claims against the Government. I do not believe that the Government can possibly protect its interest without having experts to deal with the questions, and on account of the temporary character of the work, it will be exceedingly difficult to retain those experts.

That, Mr. Chairman, represents the general policy on which I thought I could throw some light. I now stand ready to respond to the questions of the committee.

WEDNESDAY, APRIL 7, 1920.

GENERAL STATEMENT BY MR. SHERLEY.

Mr. SHERLEY. Mr. Chairman, I am not sure as to the method that you desire to have me pursue in presenting the estimates, but it occurred to me that, perhaps, before I undertook to take up the estimates proper, and in connection with them, the balance sheet

that has been prepared undertaking to show the situation as of February 29, it might be interesting if I pursued the testimony that I gave before the committee last June as to the exact cash situation that confronted the Railroad Administration from then up to the 1st of March, and thereby you will, perhaps, be better able to appreciate the reasons that controlled the Government in its policy touching additional work done for the railroads and touching the purchase of equipment and other matters.

The CHAIRMAN. That will be satisfactory.

CERTIFICATES OF INDEBTEDNESS.

Mr. SHERLEY. You will recall that after the failure of the last Congress to appropriate any moneys the Railroad Administration found itself forced to deal with the situation by issuing certificates of indebtedness, which it gave to the various railroad companies in lieu of moneys due on account of compensation; and, also, that it gave the supply men and equipment manufacturers certificates of indebtedness, the railroads and the supply people, in turn, using those certificates as the basis for loans at the banks. In that way moneys were obtained to enable them and the Railroad Administration to go forward.

Now, at the time we appeared before the committee last year, in June, we had undertaken to drain the treasuries out in the field of whatever cash we could, leaving them just the least possible amount to get along with as working capital, and with the necessary result of having them postpone the payment of a great many of their bills; but by so draining the field treasuries, we had gotten into the central treasury moneys a little in excess of the amount that we had had during the first of the year. At that time on the 1st of June, the treasuries in the field had about $155,000,000, and there were presumably bills in excess of that amount of over $18,000,000; we had unpaid vouchers in the treasurer's office in Washington of about $47,000,000, and we had cash in the central treasury of $83,000,000. During the month of June I called from funds in the field $41,000,000 additional, and I requested of the War Department payment and they made payment of $30,000,000 on account of indebtedness due the Railroad Administration for freight and passenger bills that had been presented but not paid. I received from the American Express Co. on account of revenues that they had collected something over $10,000,000. This, with other smaller amounts that were received, put into the central treasury about $166,000,000. With that money, and conscious that Congress would very speedily appropriate moneys for the Railroad Administration, I immediately began cash payments to the railroads and ceased the issuing of any certificates of indebtedness to them. Shortly thereafter Congress did appropriate $750,000,000.

In the month of June we paid to the carriers $96,000,000, and we put back in the filed with the treasuries that were most in need of money, the sum of $20,000,000 of the $41,000,000 that had been taken from other treasuries in the field that, apparently, could, at least temporarily, spare some of their money. By this payment we reduced the money in the central treasury to $46,000,000, which was a dangerously low figure, and a figure that we would never have felt

warranted in letting the central treasury's cash get to if it had not been for the certainty of the appropriation by Congress, which, as I have stated, became a law on the 30th of June, though the money did not become available until July 11, as I recall. The moment that money was available, steps were taken to pay off those certificates of indebtedness; and as soon as we were advised by wireless of the signing of the bill by the President, I caused notices to be given to the various holders of the certificates of indebtedness that we would be prepared to pay them on the 15th of July. On that date, out of a total of $285,308,172.26 of certificates outstanding, there was paid $245,938,808.74 worth, and this was done without any appreciable disturbance of the money balances in any part of the country.

It was made possible, Mr. Chairman, by the use of the Federal Reserve System, through the very generous cooperation of the Treasury and of the Federal Reserve banks throughout the country, and it perhaps marks one of the highest payments of cash in a single day, with the least disturbance, that this country has ever witnessed, and I think is a distinct tribute to the efficiency of the present banking system of the country.

On the 15th of July we also repaid the loan of $50,000,000 made by the War Finance Corporation. You will recall that during the days when the Railroad Administration was without funds $50,000,000 was loaned by the War Finance Corporation to the Railroad Administration. That was repaid on the 15th of July.

The certificates of indebtedness were paid off, as I have stated, mostly on the very day that they were called and subsequently from time to time as thereafter presented, either at the Federal reserve banks, the Treasury of the United States, or the treasury of the Railroad Administration. The way that payment was provided for, was by our placing to the credit of the Treasury moneys sufficient to take care of the entire outstanding amount of such certificates of indebtedness and they then instructed the Federal reserve banks all over the country to pay these certificates of indebtedness upon presentation, to an amount equal to the total credit that we had placed with the Treasury, taking proper receipts, the form of which was worked out. The result was that every Federal reserve bank was in a position to pay all certificates of indebetdness that were presented for payment.

The two million and odd dollars of certificates that remained unpaid after that first day were paid largely in August and then in October the remaining ones were paid as presented, with the exception of one or two certificates later paid and some $5,400 which is still outstanding and which we have endeavored to trace and to have presented for payment. Under the notice of call for payment interest ceased as of the 15th of July and hence any delay in presentation was a delay at the expense of the holder and not at the expense of the Railroad Administration. I will submit with my remarks a statement showing the exact payments made as of the different periods of time.

Certificates of indebtedness issued by the Director General of Railroads.

Issued in 1919.	To carriers.	To equipment builders.	For canal expenditures.	Total.
March	$47,842,500.00			$47,842,500.00
April	79,517,300.00	$17,625,433.71		97,142,733.71
May	57,831,500.00	31,492,712.65	$314,858.30	89,639,070.95
June	8,081,675.00	35,887,663.41	75,063.28	44,044,401.69
July		6,639,465.91		6,639,465.91
	193,272,975.00	91,645,275.68	389,921.58	285,308,172.26

The interest on these certificates amounted to $3,217,977.87.

The last certificate issued on corporate account was dated June 23, the last on equipment account July 1, and the last on canal account June 7.

These certificates, as shown by the above exhibit, had been issued to the carriers in a total sum of $193,272,975; to equipment manufacturers in a total sum of $91,645,275, and for canal expenses, $389,921, making a total of $285,308,171. The interest on them amounted to $3,217,977, making a grand total of $288,526,148. They had been issued over a period of months beginning with March, when nearly $48,000,000 had been issued; in April, $79,000,000 to the carriers and $17,000,000 to equipment manufacturers, or a total of $97,000,000; in May a total of $89,000,000; in June, $44,000,000, and then in July some $6,500,000 was issued. The reason for issuing those certificates in July was not because of the fact that we were entirely without money though the appropriation was available only on the 11th of the month, but because the arrangements for the issuing of them had been undertaken before we knew when the moneys would be available and they were paid as of a given date in order to carry out an arrangement that had been previously made and were called with the others as of the 15th of July.

You will recall that under an arrangement made with the railroads, as set forth in a letter of the director general as of March 25, 1919, the director general agreed to hold the railroads harmless on account of any interest up to 6 per cent that they might have to pay on loans obtained from the banks or for notes secured by these certificates of indebtedness, and, in pursuance of that arrangement claims were presented by various carriers and paid in an aggregate sum of $231,862.91. Inasmuch as the form of these certificates and this and sebsequent letters of the director general and of myself dealing with this interest matter were set out in the previous hearings, pages 225 to 227, it seems unnecessary to set them out here.

From that time on, with the money that was furnished—while we never were in possession of funds more than just sufficient to enable us to go along from month to month—with the necessary reserve for contingencies that continually threatened and might arise at any time, we were able with the improved condition that came about in the earnings of the roads in July, August, and September to pay our bills in the field promptly and to pay the carriers such money as they had to have. We had robbed the treasurers in the field of all the working capital that they could possibly spare in order to replenish the central treasury. As soon as we got this $750,000,000 we started to put back into the field such moneys as might be neces-

sary to enable them to pay all of their outstanding debts, but the improved condition of earnings soon brought their moneys up to such a point that they were able to pay all of their outstanding bills as fast as they were presented and to really pay into the central treasury considerable sums of money.

We also began paying to the carriers from month to month what moneys they needed and we paid from June 1 to March to the carriers, on account of compensation, the sum of $776,825,760.71. It so happens that that sum is just about the amount of the compensation that these carriers earned during those 10 months. The compensation due to the carriers amounted to about $75,000,000 a month and you will notice that this payment was $776,825,760, which was at the rate of about $77,000,000 a month. So that we paid during all of that period as much money as currently became due to the carriers, but we did not pay sufficient moneys to cover amounts that were already due to some carriers because of back compensation. In point of fact, our payments to the carriers were never measured simply by the amounts of money that were owed them but the payments were made to them as a general rule, on the basis of the moneys that they needed in order to take care of those items which, under the Federal-control act and under the standard contract, were protected items, as we speak of them; in other words, they were given money enough to enable them to take care of their fixed charges and their dividends, where dividends were regularly declared and recognized, though in some cases of need, money was paid on account of compensation due, to enable carriers to meet equipment-trust maturities, and all other sums due them were withheld for two reasons.

One was that at no time were we certain enough of the moneys that the Railroad Administration might have as to warrant us in making payments without regard to the future, and the other was that it was the desire to have available for offsetting against the indebtedness of the carriers to the Railroad Administration sums in as large amounts as might be practicable, and it was our conception of the Federal-control act that where payments were made, of moneys sufficient to enable carriers to take care of these protected items, other sums due them might properly be held for payment upon indebtedness due by the carriers to the Government.

RECEIPTS AND DISBURSEMENTS.

I have had prepared and I will file Exhibit A (see p. 216), being a statement of the receipts and disbursements of the central treasury from the 1st of January, 1919, to the 31st of March, 1920. An examination of these sheets will show, in a very interesting way, exactly what the situation was that confronted the treasury from month to month. I also submit an Exhibit B (see p. 220), showing a condensed cash statement of the treasurer for the period January 1, 1919, to March 1, 1920.

I have already spoken of the situation that confronted the Railroad Administration in June. In July we started the month with $46,000,000 in the central treasury; we then got the appropriation of $750,000,000 and the result was that we paid out sufficient sums so that on July 31 we had $367,000,000 in the central treasury, but we

had obtained from the treasurers in the field $24,000,000; we paid out that month to the treasurers in the field $28,000,000, so that there was a net reduction on that account of our cash in the central treasury of $4,000,000.

Now, in the next month we began to improve the situation very much. We received from the field $43,000,000 and only paid $25,000,000; the next month we received $117,000,000 from the field. The receipts from operation were steadily climbing and at that particular time it looked as if the Railroad Administration would not only not incur any additional deficit but that it would make a profit from month to month whereby it might reduce the deficit that had already been incurred. In September it was necessary to send to a few treasurers a little less than $4,000,000, so that there was a net gain in the cash situation of $114,000,000. In October we received from the field $83,000,000 and we sent out $5,000,000; in November we received $57,000,000 and we sent $14,000,000. Meanwhile there had been enough moneys in the field accumulated to give them a full working capital, which enabled them to meet their bills promptly. I think it is due the Railroad Administration that I should say that from the day we received the appropriation until now we have paid rapidly all bills presented by various creditors in the field to the field treasurers, and whatever delay there may have been was the incident of presentation and of proper examination and vouchering. Perhaps I should say that there was some delay at different times in connection with coal bills, but that was due not to an inability to pay our bills but a dispute as to the prices upon which the coal should be settled for. Speaking by and large, I doubt if the supply people of the country have ever been paid more promptly or as promptly as they have been paid for the last 10 months by the Railroad Administration in connection with the settlement of their claims.

The situation that had looked so very good in August and September shortly thereafter went all to pieces by virtue of two factors, one of which had a remote effect and the other had a very direct effect. The steel strike unquestionably affected the earnings of the Railroad Administration by tending to slacken business for a while and the uncertainty that existed in the country at large as to what might be the developments growing out of it served to affect traffic, and of course anything that affected traffic immediately reflected itself in the revenues and earnings of the roads. But the coal strike, as Mr. Hines has already pointed out, had a very direct effect, an effect that is being felt even yet and was felt by the Railroad Administration through the remainder of its life and will be felt by the railroads during their operations for some little time to come. The result was that our earnings fell off very materially and the amounts of money that we were able to receive from treasurers in the field, as being in excess of what they needed, began to grow less and the amounts of money that we needed to send to them began to grow larger. While, as I have stated, in November we took from the field $57,000,000 and sent only $14,000,000 to the field; in December, however, we received a little over $34,000,000 and sent $41,000,000 in January we took $41,000,000 and sent $26,000,000, but in February we received $11,000,000 and sent $40,000,000, and during March, but under a somewhat altered situation, we have received seven and three-quarter million dollars and have sent out to the field

$95,600,000. The result of this situation, as I have undertaken to portray it from month to month, was that on the 1st day of March the Railroad Administration found itself with $111,635,673.86 of cash in the central treasury, and in the field we have made an estimate of approximately $197,000,000.

Under the transportation act it was provided that the right of set-off "shall not be exercised unless there shall have first been paid such sums in addition as may be necessary to provide the carrier with working capital in amount not less than one twenty-fourth of its operating expenses for the calendar year 1919."

In view of the fact that the act provided for the furnishing of a working capital to the railroads in this way, it was determined by the Railroad Administration that it would inpound for the payment of its own debts all of the money which it had in the field instead of leaving those moneys for the use of the railroads in their own affairs. You will recall that when we took over the railroads on the 1st of January, 1918, we took not only the railroads but also whatever moneys there was in the hands of their treasurers, of their agents, conductors, etc.; that with that cash we paid their bills to the extent that it was sufficient or necessary and we proceeded to collect for them such assets as they had that were readily collectible. Out of that transaction grew the situation in connection with the open account that we spoke about in our previous hearing and from which I may say in passing, resulted an indebtedness of some carriers to the Government in an aggregate amount of $240,061,709, while as to a lesser number of carriers there was due from the Government an aggregate amount of $54,398,484. It was contemplated that the same practice would take place at the end of Federal control and that they would be given the use of our moneys, of course, to be accounted for subsequently; that they would pay with our moneys our bills, collect our assets, and, to the extent that our moneys might not be needed for that purpose, they would use them temporarily for their own purposes until these lap-over items could be liquidated and the account slated and set up.

That would have made unnecessary the supplying of the railroads with any working capital as such, because the thing would have gone on continuously, just as it had gone from month to month under Federal control, the only difference being that from the 1st of March the corporations would need to keep in their books both corporate and railroad accounts by which the assets and liabilities belonging to the Government and to the carriers could be distinguished, whereas as at present arranged the Federal accounts are kept distinct from the accounts of the corporations, but inasmuch as the Government by this legislation required the Railroad Administration to furnish working capital where needed, in an amount of one-twenty-fourth of operating expenses for the calendar year 1919, which amounts to about $183,000,000 for all the railroads, it was thought but right that we should have our moneys used solely for the purpose of paying our debts. We therefore sent instructions to the field by which the Federal treasurers were instructed to turn over to the corporations the moneys that they had belonging to us in trust for the use and benefit of the Director General of Railroads, and these corporate

treasurers receiving the moneys (giving, of course, proper receipts for the amounts), were then instructed to use the moneys in payment of our bills only. The result of that has been that whatever moneys we had out in the field were placed in trust for the debts that the Railroad Administration owed in the field, these corporate officers, as our agents, paying these debts on the presentation of proper vouchers. They are our agents without compensation for this work because we had been similarly their agents at the time we took their property over and because those of them that had made contracts with the Railroad Administration had, by express stipulation, obligated themselves to administer our moneys and collect our assets and pay our liabilities.

We instructed the corporations to pay our bills as presented with the exception only of judgments, decrees, and awards which might be rendered after March 1 and which, by the terms of the transportation act, are required to be paid by the Government out of the $300,000,000 appropriated in that act, and which we construed was a prohibition upon our paying; but otherwise all indebtedness owed by the Railroad Administration in the field is being paid by the corporate officers out of the funds we left with them. From time to time the corporate officers have reported to the central treasurer, Mr. Blaisdel, their needs, and wherever they have stated they did not have moneys sufficient we have supplied them out of the moneys that we had in the central treasury. The result is that we have sent out during the month of March, as I stated a few minutes ago, to the treasurers in the field, $95,638,714.54, and we have received from them $7,760,000. That would seem to indicate that there were a great many more liabilities than there were of cash and assets of the Railroad Administration in the field because during this month we have had to advance a net amount of $88,000,000, but I think that conclusion is not fully warranted. The facts grow out of three things. First, you always find it easier to pay a bill than to collect one, provided you have the money, and we have tried to pay our bills promptly. We believed it was distinctly to the credit of the Government and to the country at large that we should liquidate our indebtedness as rapidly as possible, so that all bills are being presented with a good deal more rapidity than the collection of assets can be made.

Another reason is that each corporate treasurer in the field is likely to play safe in his estimate of the amount of money he needs to meet his outstanding obligations and he is going to call, whenever he is at all fearful that he is running short, for the money that he thinks is necessary to take care of these bills from day to day as they may be presented. Every corporate treasurer who has needed any money we have unquestionably heard from, but we believe there are a good many corporate treasurers who have moneys in excess of what they will need to pay our bills that we have not heard from, and it is only where the statements that they have sent in were so patently such as to warrant us in calling for moneys from them that we have been able to take any moneys into the central treasury. The third reason is that there are considerable sums of money that will be due the Railroad Administration arising out of transportation that started in February but was not completed until after March 1, the payment of which would be made to the corporations and would only be

settled as a matter of interroad settlement some 30 to 45 days after the transaction occurred.

The result is that there will be quite an amount of money that the roads will owe to the Railroad Administration growing out of shipments of freight over the country which started, some of them, maybe in the beginning of February, some of them just a few days before the end of February, and finished afterwards in March, and the payment for which was made upon delivery by the delivering carrier. The result is that we believe that the drain upon the central treasury will cease, and that from now on it is probable that the treasurers in the field will collect in more moneys than they will need to pay out, and the balance sheet which has been prepared and which is built upon a forecast of the probable collections and payments to be made, first 60 days and then subsequently contemplates that counting all of the cash that we had on hand, which included the $200,000,000 that was obtained under the transportation act, there would be about $244,000,000 left, after we should have paid all of our bills and collected all of our assets in the field. I have been talking now without regard to the situation in connection with the carriers. That is the forecast that has been made here, and you will appreciate that it necessarily is only a forecast, because in a business that amounts in the gross to something like $5,000,000,000 a year it is impossible 30 days afterwards so to cast up your accounts as to what is owed you and what you owe as to do anything more than make what is a forecast or an estimate. You will appreciate that, in point of fact, we will not be able to collect all our assets anything like as rapidly as we should pay our liabilities to the outside public and we will, in the meanwhile, also have to be making considerable payments required under the transportation act to the carriers.

The CHAIRMAN. You did not, in fact, need the $180,000,000 for cash for the railroads for their working capital that you anticipated you would need?

Mr. SHERLEY. Oh, I have paid some of that in a different way. I have been dealing purposely, so far, Mr. Chairman, with simply our relation with the outside public, with the debts that the Railroad Administration owe to the outside public in the way of materials, supplies, etc.

The CHAIRMAN. And that had nothing to do with the operating accounts?

Mr. SHERLEY. That had nothing to do with the question of working capital which I have furnished in certain amounts, very much less than the amount which is referred to in the act, and which I may from time to time be called upon to furnish as needed. The reasons which I will be glad to amplify a little later on, why in my judgment there has not been a greater demand upon me and a greater need being two-fold: First, that these railroads for the first time since their existence start without owing anybody in the way of general supplymen or general creditors. They start with a clean slate and are therefore able, having materials and supplies turned back to them, to go along with very much less moneys than they would need under ordinary circumstances; and second, because of the very fact I spoke of awhile ago, that they have been collecting moneys for freight delivered after March 1, but transported in large part prior to March 1; in other words, they have quite a bit of money

that belongs to the Railroad Administration which they have been having the use of and will have the use of until they make their interroad settlements, sometime this month or the early part of next month. Now, those two factors have enabled the railroads to go forward with very much less working capital than they believed they needed.

In point of fact, I never shared the view that they repeatedly expressed that they had to have a working capital in very large amount. As the Senate originally passed the transportation act, it called for a working capital in amount equal to one month's operating expense, which would have amounted to very nearly $400,000,000. I was satisfied that that was a very extravagant estimate as to the needs of the railroads for working capital, and even as cut in half, the facts have seemed to demonstrate that the need for working capital, as such, was not as great as anticipated, though the need of the railroads for money, whether in the form of working capital or otherwise is very great, as I will have occasion to deal with subsequently.

Mr. BYRNES. Do you expect to recover from the roads money received by them for shipments which were in course of transportation on March 1?

Mr. SHERLEY. There will be no difficulty about that.

Mr. BYRNES. If so, how are you going to do that?

Mr. SHERLEY. That is done because under Federal control and after Federal control there is payment on interroad balances. Every railroad in the country of necessity has accounts with every other railroad by which it is both a creditor and a debtor, and after the end of a month these settlements are made, as I understand it, and Mr. Parker can correct me if I am wrong, because I am invading a technical field now; these settlements are made monthly and they are made by each road drawing on the other road for the moneys that are due on account of work performed or collections made, and these balances are paid on presentation. Every railroad pays its interroad balances, so I do not take it there will be the slightest question of the railroads paying over to us the moneys that belong to us. They will receive them as railroads from the other railroads, but part of what they will receive will be on account of work done before March 1 and part on work subsequently, and accordingly will belong to them or to us, and not to account for it would be a direct misappropriation of funds.

Mr. BYRNES. It just occurred to me from the statement you made that, for instance, here is a shipment of fruit from San Francisco to New York, shipped three days prior to the expiration of Federal control. It arrives at New York and is paid for afterward; how are you going to arrive at a division?

Mr. PARKER. The standard contract provides that revenues shall be allocated to the carrier prior to Federal control and to the government subsequent to Federal control, where they were in transit at midnight when Federal control commenced in about this manner, and a similar arrangement applies with reference to traffic in transit when Federal control terminated, that on carload traffic that had reached a junction point of a given railroad on a through haul, that the revenue up to that junction point would be allocated to the company prior to Federal control and beyond that junction point would belong to the

Federal Government. The same thing was true as to traffic that had reached destination on the carrier's own line where it was local traffic, that is traffic which had originated and had its destination on the same railroad. It was not contemplated that we would split the revenue in the case of a shipment which commenced on a railroad and ended on the same railroad unless the whole transportation function had been performed; that is, if simply moved over one division that would not count, so to speak, and the same practice is contemplated at the end of Federal control. As to working it out, ordinarily the way bills, which move with all the carload shipments, will bear the stamp date of the division or yard office of every junction point through which it passes, so that it is really a simple matter to allocate it according to those junction stamps, and in the cases where the way bills do not appear with those stamp dates, we can go too the car record offices and ascertain the record of the car as to what part of the journey it had completed up to midnight of the end of Federal control.

Mr. SHERLEY. And if I understand you, there is made these monthly settlements between carriers over these shipments.

BALANCE SHEET OF FEBRUARY 28, 1920.

Mr. PARKER. Yes, sir.

Mr. SHERLEY. Before undertaking further to explain the particulars upon which our estimate is based, I will offer, as Exhibit C (see p. 222), an estimated balance sheet as of February 29, 1920, which has been prepared in our comptroller's office and which forms the basis of the director general's letter to the Secretary of the Treasury. The result of this forecast is that we contemplate that of the moneys which we had on hand and of the assets which were collectible after paying our liabilities, without now dealing at all with either the liabilities to us from the carriers or our liabilities to the carriers, we would have $244,267,540.36 left. We estimate that we will owe to the carriers moneys that can not be used in offsetting what the carriers owe to us, $613,154,931.11. That sum is on account of compensation, depreciation, credits, and so forth. Then on account of materials and supplies an additional sum of $48,394,528.50. If against the total of those two sums is applied the net amount that we would have over and above our liabilities in the field, you get the amount of this estimate of $417, 282, 119.33 which, plus the estimate for the cost of the Railroad Administration for the balance of the year, gives the total of the estimate presented here of $420,727,341.

It is our expectation that we ought to be able to collect moneys that are due us growing out of transportation, practically all of it, within 90 or 120 days after March 1, and correspondingly we ought to have paid our liabilities out in the field. In point of fact, there will of course be for a good many years, perhaps, some moneys owed to us and some moneys that we owe, though most of the things that are owed to us of this character, not dealing with what the carriers owe to us, should be collectible with reasonable promptness and correspondingly most of the bills that we owe, other than those that relate to claims, will be paid reasonably promptly.

Touching the carriers and our relationship with them as of the 1st of March, there was owed them a total amount of $1,476,928,-

805.60, this sum being made up of three items to wit: $1,313,860,-348.31; $114,673,728.71, found lower down on the balance sheet, and, still further down, the item of $48,394,728.58. The first item is made up, as the balance sheet will show, of compensation due, interest on deferred installments of compensation, open accounts due carriers, interest due carriers on open accounts, interest due carriers on payments of compensation, and notes applied to addition and betterment accounts, cash payments, compensation and credit applied to addition and betterment account, cash payments applied to allocated equipment, equipment depreciation and retirements (class I roads to which equipment has been allocated). There is found on the other side as offsets in settlement a total of $815,379,-145.91, which is made up of interest on compensation, installments and loans, interest on open accounts, additions and betterments to roadway and equipment, allocated equipment not to be funded, notes and open accounts due from carriers. The net between the two represent our estimate of what will have to be paid to the carriers as of the 1st of March in connection with the indebtedness of the Railroad Administration to the railroads. Now, of that indebtedness, there has already been paid during the month of March to the carriers $95,375,149, so that, Mr. Chairman, coming back to your inquiry of awhile ago touching working capital, there has actually been paid to the carriers in March, since Federal control ended, a little more than $95,000,000. All of that, however, was not for working capital. Quite a substantial part of it was to meet interest obligations maturing after March 1, but the greater part of it had accrued prior to March 1.

In point of fact, I think we have paid on account of working capital something under $50,000,000. If every railroad had due it moneys sufficient and should require it, and had not previously paid it anything that might be held as in lieu of working capital, there would need to be paid to the railroads $183,000,000, as I recall.

The CHAIRMAN. Then fifty millions, or thereabouts, was paid to the railroads and charged either on compensation or on open account?

Mr. SHERLEY. All of the working capital, Mr. Chairman, that is to be supplied to the railroads is to be charged on account of moneys due. In other words, the railroad act does not require that they shall give, in addition to the compensation which we owe the railroads, moneys for working capital, but only that out of moneys already owed the railroads, there must be supplied moneys for working capital before we begin offsetting.

The CHAIRMAN. Yes, I understand that, and that is all charged in open account.

Mr. SHERLEY. It is all charged either on account of compensation or on open account. Some railroads we owe money to on the open account, as we speak of it loosely; in point of fact, open account and compensation now, together with any other indebtedness, indebtedness on account of additions and betterments which have been put into use since January 1, 1918, all become simply credits due to the railroads just as their indebtedness to us, no matter from what source, becomes an indebtedness due to us.

The CHAIRMAN. You are still carrying it, though, under two items, one compensation and the other open account.

Mr. SHERLEY. We are carrying it under a number of items because this has been the situation, Mr. Chairman: While the contract contemplated there should be quarterly payments and that there should also be such deductions as were permissible under the contract made quarterly to reimburse the Government for expenditures made by the Government for the benefit of the railroads, yet while there has been accurate account kept of all expenditures made of all sorts, there has not been, until recently, a setting up in the accurate final form of the account between the Railway Administration and the carriers as such, what we would speak of as corporate accounts; these accounts will be assembed according to the data that we have as of January 1, 1918, on down to March 1, with the credits and debits made in accordance with the respective rights of the parties. This balance sheet is built on the assumption, in substance, that eliminating the items, the interest, etc., which in a measure offset each other on the different sides, that of the indebtedness owed to the carriers, $483,000,000, can be taken from the compensation due them and applied on addition and betterment indebtedness of the carriers to us; and, correspondingly, there can be taken some $233,000,000 shown as notes and open accounts due from carriers and liquidated out of compensation due by us to the carriers. The result of that transaction would be, if it should work out as here estimated, that the railroads of the country would owe to the Government on account of road and equipment expenditure $270,000,000, in round figures, and on open account and demand notes $144,000,000, and would owe on allocated equipment, which has been funded under the act authorizing the taking of equipment trusts, three hundred and sixty-seven million eight hundred and odd thousand dollars.

Then, in addition to that, there would be the other items that appear under the head of capital assets, long term notes of corporations, forty-four million four hundred and odd thousand dollars, the major part of that being the debt of the New Haven Railroad, and then investments in stocks and bonds and receivers' certificates of $35,000,000, the major portion of that being the bonds of the Boston & Maine Railroad for advances of some $19,000,000 agreed to be made early in the history of the Railroad Administration, and which was set out in previous hearings, to enable them to take care of a lot of indebtedness that they then had and some $8,000,000 worth of indebtedness on account of conditions and betterments made for that road; and then there would be the investment that the Government has made in inland waterways, amounting to $14,500,000, and miscellaneous investments, principally Liberty bonds, of $88,400,000 and odd. This would make a total capital investment of $966,803,362.77. The Railroad Administration has had $1,450,000,000 appropriated to it. Its loss incident to operation amounts to $900,078,756. That would show to be accounted for $549,521,244. We account for that by showing that we will have capital assets of $966,803,362, and in order to have fully paid for the acquisition of those assets we will need an additional amount of money represented by the difference between the $549,521,244 and the $966,803,362 or $417,282,118, and our estimate is that sum plus the cost of administration.

LIBERTY BOND INVESTMENTS.

(See also p. 139.)

Now, some of these items you will want to ask about in detail, and I will be glad to give you what information I have, but anticipating a question touching the $88,000,000, which is stated here as principally Liberty bonds, I will say that that situation is this: In the first place, the amount is necessarily an estimate as to the present situation, or rather states the situation as of the 1st of January, 1920, when that forecast was made, and does not necessarily represent, in my judgment, the situation that will confront the Government finally.

Thirty-seven million dollars of it represents Liberty bonds of the third and fourth issues that the Railroad Administration had left on its hands as a result of default in subscriptions by various employees of the Railroad Administration. When those drives were on, the Railroad Administration instructed its treasuries in the field to get as great subscriptions as possible from the employees and to purchase the Liberty bonds in the amounts of such subscriptions; and, in order to induce subscriptions from the various employees, to say to them, "We will buy and carry those bonds for you, and if you are unable at any time to make the payments, or if you leave the Railroad Administration and have not completed your payments, we will refund you the amount that you have paid on such bonds." The result of that was that out of several hundred million dollars' worth of subscriptions made by the employees, there were some $37,000,000 worth that were not paid for, and which the Railroad Administration has now in the form of assets locked up in those bonds. Inasmuch as the bonds have been below par, it has not seemed to be a warrantable action for the Railroad Administration to sell those bonds, take the loss, and write it off. As to the Victory bonds, which make up a large part of the balance, the situation is this, that those payments were not all completed as of the time that this forecast was made, so that, in my judgment, there is quite a considerable part of the Victory bonds that will be paid for by the various subscribers and taken off our hands. In anticipation of this situation, when the subscriptions for the Victory bonds were made, I gave instructions to the treasuries in the field to buy Victory bonds up to 90 per cent only of the subscriptions made by the various employees, anticipating that of necessity there would be default on the part of quite a number of the subscribers.

Evidently, I was over-sanguine in leaving a margin of only 10 per cent, and the fact that these bonds have also gone below par has resulted in a number of employees not carrying through their subscriptions, although I still believe that there will be a considerable amount paid, and that the total investment of the Government in Liberty bonds will be very much less than that which is indicated here.

Mr. BYRNES. This total amount consists of Liberty and Victory bonds?

Mr. SHERLEY. Practically so. There are some miscellaneous investments represented there. I might say, in passing, that not only did we feel that the Railroad Administration was not justified in taking a loss on account of the Liberty bonds, but the effect upon the

bond market in connection with Liberty bonds would have been very detrimental if a Governmental institution had undertaken to liquidate sums in anything like the amounts here stated. While whatever amount of Liberty bonds we have on hand represents money that is tied up, it does not represent in any degree a loss to the Government. There has been no actual loss.

The CHAIRMAN. You stated that this amount may be reduced, but, on the other hand, if we should pass bonus legislation and have to issue more of Government bonds, it is quite likely that under your contract or agreement with them, the railroad employees will dump still more bonds back on your hands?

Mr. SHERLEY. They can not dump any bonds back on us that have been delivered to them, and on which they have finished making the payments, but to the extent that there are any unpaid subscriptions, of course any depreciation of the value of these bonds in the open market would be an inducement to unpatriotic subscribers to let the Government bear the loss instead of themselves.

The CHAIRMAN. I was rather surprised at your statement in regard to the extent—$57,000,000—to which the subscribers have failed to pay for their bonds. Do I understand you to mean by that that the subscribers to that extent have made no initial payments on the bonds?

Mr. SHERLEY. No, sir; I meant in connection with the $37,000,000 represented by the third and fourth Liberty loans that they were cases where the subscribers had made some payments, but had not completed the payments. There may have been some instances in which some subscribers did not make any payments, but, broadly speaking, they were cases where they had made some payments before quitting the Railroad Administration, or for some other reason ceased to make their payments, and asked to have returned to them the payments that they had made and their subscriptions canceled. In that connection, I venture to say that this situation does not differ in kind, although it may differ in degree, from what happened to a great many banks in the country that made subscriptions for bonds upon the applications of customers of the banks, and where the customers subsequently were unable or unwilling to take the bonds, the banks were left with them. In my judgment, it is partly because of that fact that there has been fed into the market continuously a great number of bonds, which has served to keep the prices down.

The CHAIRMAN. What was your subscription to Victory bonds?

Mr. SHERLEY. The total amount I am unable to give you. The instructions that I sent out were that they should buy bonds to the extent of 90 per cent of the subscriptions. I am having that data worked up now, and I am sorry I am unable to give the amount now. It is pretty difficult to give very accurate figures on that. Touching the third and fourth Liberty bond issues, I speak with reasonable accuracy, because we have had them sent in to the Treasury to be held there. We sent them in under the privilege that was given for the exchange of units into larger units, but they were sent in without our asking for the issuing of larger units. They are now being held to our credit by the Treasury.

To the extent that this estimate on Victory bonds shall prove to be too high, to that extent we would have cash and not the investment.

The CHAIRMAN. I take it from your statement that practically all of the $51,000,000 remaining of the $88,000,000 would be in Victory bonds?

Mr. SHERLEY. Yes.

The CHAIRMAN. And the other investments are of what character?

Mr. SHERLEY. Of third and fourth Liberty bonds.

The CHAIRMAN. I undertsood you to say that there were some other investments.

Mr. SHERLEY. There will probably be some minor investments. In getting a balance that large, and getting it from so many different sources, it is quite possible that there are some other items. I think this is what has happened, and Mr. Parker has just called my attention to it: You will see right up that line an item of $1,798,861. That item was originally combined with the item of $88,000,000, making an item of $90,000,000, and then this language was used, "miscellaneous investments, principally Liberty bonds." Mr. Parker tells me that in making the balance sheet again they split that item into the two items, and that, therefore, the $88,000,000 is practically all, so far as he knows, Liberty bonds or Government bonds.

The CHAIRMAN. What authority did the Railroad Administration have for making that kind of an agreement for the purchase of bonds?

Mr. SHERLEY. I suppose that it had simply the authority that belongs generally to corporations in connection with their affairs. The Railroad Administration in running the railroads of the country was given, I think, clearly under the act the leeway that belongs to an ordinary business corporation. It has had to do a good many things that would not come strictly within the province of a governmental agency. However, the way this came about was this: The railroads, when the first Liberty loans were made, were appealed to by the Secretary of the Treasury to do just this thing, just as the banks were told to do it and as manufacturers all over the country were told to do it. Great emphasis was laid upon the desirability of encouraging subscriptions, and that, in order to encourage them, these great corporations ought to assume the burden of the original subscriptions, and then induce their employees to take them up.

As a result of that, nearly all of the railroads of the country have quite a considerable investment in Liberty bonds that they are carrying on their hands at their face value, at what they cost them. Now, after we took over the railroads, the same practice was followed. I do not suppose that anybody really stopped to consider very much the purely legal question, if there be one presented, as to whether the Railroad Administration should invest money in Liberty bonds, although the act provides that they may make investments over a pretty wide field. What was done was simply to use the machinery of the Railroad Administration to get those employees to subscribe for as many bonds as possible. The mistake that was made, if any mistake was made, was in buying bonds to the extent of 100 per cent of their subscriptions.

The CHAIRMAN. It seems to me that another great mistake was made in agreeing to repurchase the bonds.

Mr. SHERLEY. We did not agree to repurchase bonds.

The CHAIRMAN. It amounted to that.

Mr. SHERLEY. They made the subscriptions, and we then purchased the bonds for them, letting them repay us in certain installments, and we agreed that if they were unable to pay for the bonds we would take them off their hands. In substance, it was a purchase at par.

The CHAIRMAN. Of course, when the bonds went down to around 90 or 95, that agreement supplied an incentive to the shrewd employee to stop paying his installments and to ask the Railroad Administration to give him back the full amount that he had paid in.

Mr. SHERLEY. On the other hand, it offered a distinct inducement to a great many employees whose margin of salary over their expenses was not very great, and who would have hesitated long before making any subscription to subscribe for bonds. If the employee had felt that in case he lost his job, or sickness or other misfortune should come along, he would be obligated to continue those payments, he would not be so likely to subscribe. In other words, it was one of the means that was adopted to put over a tremendous bond issue.

The CHAIRMAN. You carry those bonds on your books, of course, at par?

Mr. SHERLEY. Yes, sir: we have not treated them as a loss. Then at the same time we were suffering from a very great labor turnover, like every other corporation in the country, and many men who might not be permanently there would not have subscribed unless they had had this understanding. Wherever they had made payments we tried to get them to continue the payments. Foreseeing this very situation, I allowed a 10 per cent margin in the purchase of bonds, but I did not allow quite enough apparently. Yet, if we had kept a greater margin there would have been that much less in the way of subscriptions to the Victory loan.

Mr. CLAGETT. In connection with the Liberty bonds, the railroad corporations had pursued exactly this policy, and the argument was put up that if the Government did not pursue the same policy it would be unfavorable to the employees, and that the Government would not get as large subscriptions from the railroad employees. That is one reason why the same policy was continued under Government control that was initiated under private control.

INVESTMENT OF GOVERNMENT IN RAILROADS.

Mr. SHERLEY. This balance sheet, Mr. Chairman, as I have stated, undertakes to show that there will be an investment of the Government of $966,800,000 made up of the items that I have in a very running way been discussing. Now, in arriving at these figures, there has necessarily entered into the whole problem a judgment touching the duty which is imposed upon the Railroad Administration in connection with the transportation act of 1920. The amounts of money that the railroads owe the Government are considerably in excess of $1,000,000,000. In point of fact, there was expended for the railroads in the way of additions and betterments over the 26-month period a total of $1,135,427,280. The problem that the transportation act presents is how far Government shall recoup itself for that capital expenditure made for the railroads out of the money

that is owed to the railroads. Now, the transportation act requires that certain moneys, if owed, must be paid before off-setting, and then, after making that requirement, it says that the Government may off-set any remaining indebtedness due the railroads against the indebtedness due from the railroads, and that to the extent any net indebtedness of the railroads to the Government may exist, it shall be funded, so far as it relates to additions and betterments for a period of 10 years, with such security as the President may demand, and so far as it relates to other indebtedness than that growing out of additions and betterments, it shall be funded for one year, the payments running in both instances from March 1, 1920, so that, in order to come to a determination as to how much of the moneys that we owe the railroads can be used in repaying what the railroads owe the Government, it is necessary to determine, first, the amount of moneys that must be paid under the act, and second, to make such a forecast as acquaintanceship with the situation may warrant as to the additional moneys which, while we are not compelled to pay them to the railroads, in the interest of proper transportation service to the people of America, should be paid rather than used to offset indebtedness.

Now, the conclusion that any man reaches in considering over 300 railroads and with figures that run on the two sides to over a billion dollars, is a conclusion about which, if he knows anything at all, he will not want to be dogmatic, but I am perfectly frank in saying to you that we have presented here an estimate that we believe we can work within, having in mind what the act evidently contemplated, but it is an estimate which necessarily carries with it elements that are so variable that one man's judgment might be very different from another's. I should say that if no railroads were given a dollar more than the strictest possible construction of the act requires, it might be possible to apply from fifty to seventy-five million dollars more of our debt to them upon their debt to us, and to correspondingly reduce the estimate that is presented here, but that would mean two things—both the construction of the act in the strictest possible form, without regard to what consequences might flow to particular railroads, and acquiescence by the railroads in that construction. It is my belief that there is a golden thread of thought that runs all through the President's proclamation—the Federal control act, the standard contract, and the transportation act. They differ in various degrees but they all carry this thought, that the Government should not by virtue of its control of the railroads of America and the expenditure upon them of moneys for capital account in the way of additions and betterments either to roadbed or equipment, recoup itself out of moneys owed to the railroads in an amount so great as to prevent those railroads from having the money necessary to meet their fixed charges, and, where dividends have been regularly paid, those dividends, and under the transportation act this new factor of a working capital of one twenty-fourth of the year's operating expenses.

That is the real fundamental thought that underlies it. I have believed that in applying that thought this was permissible, that we had the right to consider other resources of a railroad in connection with the moneys that it needed to meet fixed charges and dividends and to have a working capital. In other words, that having ascertained what were the fixed charges, what they amounted to, what

the dividends amounted to, and what this working capital amounted to, we could subtract from that amount all outside income that they had, and the net amount thus found would represent the amount of money that we must have given the railroads before we undertook to offset our indebtedness with their indebtedness. Now, that view is not shared always by all the railroads. Some of them have contended that they are entitled to the use of their other revenue for meeting proper obligations of the railroads which are not within the guaranteed items. For instance, one obligation of the railroads that we constantly meet with is the obligation in connection with equipment trust maturities, and they claim that they are entitled to use this other income in paying such maturities, or that they are entitled to use it if the emergency arises in taking care of other sorts of maturities, such as bond maturities, note maturities, etc., and that, therefore, before offsetting the indebtedness there must be paid to them the amount of money necessary to meet, irrespective of outside sources of revenue, their fixed charges, their dividends, and working capital. I do not think that that position can be maintained.

They insist, further, that in as much as the Government has only given them moneys for the purposes which they stated at the time they applied for the moneys, the measure of their need now is not to be determined by the amount of money which has been paid them, but the amount of fixed charges and dividends which have accrued within the 26 months, but which may remain unpaid, plus the working capital. The claim is made that that should be the measure. You will appreciate the fact, that while the railroads have had paid to them money right along sufficient to take care of their fixed charges that had become due and payable, that after March 1, there will fall due on practically all of the railroads some payments of fixed charges a part of which accrued prior to March 1. For instance, a six months' interest payment due April 1, would represent interest five-sixths of which have accrued, though it was not payable during the period of Federal control. Now, as I have said it is the contention of the railroads that they are at least entitled to receive the fixed charges or dividends which accrued within the 26 months' period, but which are payable after March 1, and that, in addition to that, they are entitled to have this working capital. Certainly, if that position were to be allowed, there should also be carried with it as a charge against them and a credit to the Railroad Asdministration the amount of any available resources that they might have as of March 1, or at the time those payments might become due.

I do not speak of all these things for the purpose of now undertaking to put a final construction upon the transportation act but for the purpose of showing you the amount of discretion and play that can be had in connection with the application of the act. A railroad may be in agreement with the Railroad Administration as to the amount that must be paid before setoff starts but a plea may be made, and is repeatedly being made, for an exercise of the discretion that the word "may" in the act contemplates, because the act says that while you shall not setoff until you have done certain things you may setoff after you have done them; it does not say you must and the reason the word was changed from "may" to "must"—you will recall the House passed the act with the word "must" in it—was because it was thought that there would be a number of instances in which

individual railroads would need to have paid to them moneys in addition to the amount stated that must be paid, if they were to properly go forward and function in these days of uncertainty and lack of stability in the railroad world. That discretion, while wisely put in the act, adds very greatly to the responsibility and difficulty of administering the act.

Now, these figures have been built up with the idea that the presumption against the use of that discretion always existed; that only upon a plain showing by the railroad should the Government forego using all the moneys that the act permits it to use due the railroads in liquidating the indebtedness of the railroads to the Government. It has been the consistent policy of the Railroad Administration, since I have been the Director of Finance, to hold that it was the duty of the railroads to pay their indebtedness to the Government and that it was the duty of the Government to collect the indebtedness to the greatest degree possible, having in mind that the railroads were necessary as transportation agents to the country and that their actual necessities, not their desires necessarily, must always be considered.

I can only express my own view by saying that during the brief time I may continue to be Director of Finance, I shall endeavor to enforce the act in that spirit, having in mind what I know you, as chairman of this committee, constantly have in mind, the condition of the Treasury of the United States and the very heavy demands that are being made on it from many sources and, therefore, the need of the Government to recoup itself wherever it can.

This estimate has some leeway for the exercise of discretion, and I think the act contemplated that discretion should be exercised in favor of railroads in extreme cases. I know that very great pressure will be brought to bear to have it done to an extent away beyond what this estimate indicates, and we have tried to present what seemed to be a reasonable middle ground. We shall consider the action of Congress touching the sums appropriated largely as an index of what Congress desires. It is conceivably possible that this estimate could be cut, as I say, somewhere between $50,000,000 or $75,000,000 if we were to enforce the strict letter of the act.

Of course, there is another factor that is going to enter into this, Mr. Chairman. The transportation act contemplates action by the Interstate Commerce Commission of such character as will give to the railroads in the groups that shall be made a return upon their investment of 5½ per cent, with a permissive one-half per cent additional. At present the money market is such and the credit of the railroads is such as to make financing extremely difficult, and to make it only possible at very high rates of interest. I think all of us hope that there may come, as a result of the act and the interpretation of the act by the Interstate Commerce Commission, such a restoration of credit to the railroads that an easier money market will enable them to do the very heavy financing that they must do in connection with their needs, and also enable them to promptly pay their obligations to the Government, and not have to ask an increase of their obligations by the funding of larger amounts than the act makes possible but does not require.

The CHAIRMAN. May I ask you the policy pursued in formulating the estimate with regard to loans to the strong railroad companies; roads that have good credit?

Mr. SHERLEY. Mr. Chairman, there is not a dollar carried in here looking to lending money to any railroad; everything here grows out of a question of how far we can take out of what we owe to railroads moneys to repay what the roads already owe us.

The CHAIRMAN. Yet the settlement is virtually a loan; that is, when you close the transaction for a long period?

Mr. SHERLEY. Unquestionably if the net amount which they owe is funded it becomes a governmental loan for a maximum period of 10 years if it is for additions and betterments, or for one year if it is not. To answer, perhaps, what your question implies, most of the strong roads, but not all of them, will have a net amount owed them by the Government and will, therefore, not need to ask to have any funding. Such roads, speaking generally, ought not to have any indebtedness funded, yet there are some roads that are roads of considerable strength, and certainly of considerable importance, which will be very greatly indebted to the Government of the United States. The Pennsylvania Railroad system will owe the Government very large sums of money and the New York Central will owe the Government large sums of money. There is unquestionably a desire on the part of those systems, as there is a desire on the part of other roads, to have the Government carry as much of their indebtedness to the Government as it will. For instance, if they can fund at 6 per cent for 10 years they much prefer doing it to going out in the market and borrowing at 7 and 8 per cent, as some of them will have to do. So that there will be roads which are normally thought of as strong roads that will be in debt to the Government and will fund considerable sums to the Government. Under the act there is no discretion given to us until after a certain point is passed. Take one of the big systems. If the strictest letter of the law is applied to it there will still be a considerable indebtedness by that railroad to the Government which will need to be funded.

The CHAIRMAN. In a broad way you propose to fund something over $300,000,000, do you not?

Mr. SHERLEY. In a broad way this sheet is predicated on the assumption that there will be, in addition to what has already been done, a funding of $270,000,000 for a ten-year period and of $144,000,000 which will be an indebtedness of a year, probably, and some of which probably will not be paid at the end of a year; the two figures of $270,000,000, in the one instance, and $144,000,000 in the other, ought to be really considered together because it is likely that in the actual working out of the problem the $270,000,000 will increase and the $144,000,000 will decrease, even assuming that the total to be funded remains the same. Now, we have funded for the railroads $367,000,000, approximately, of equipment obligations; we have taken equipment trusts, payable in 15 years. That will be an obligation of a minimum amount of something less than that and a possible maximum amount of some $10,000,000 or $15,000,000 in excess of it, the difference being due to the fact that the equipment was taken by the railroads at the actual cost that it will come to under the contracts made by the Railroad Administration, but those contracts provide for a maximum and minimum price. We are entitled to certain credits that are now being worked out. In taking equipment trust obligations we took an obligation which provides

for the issuing of equipment trust notes in an amount equal to that which the price ultimately is determined to be, and the estimate here represents what we think is the approximate price that these notes will come to. I will be glad to put into the record a statement showing every railroad corporation that has made an equipment trust, the maximum and minimum price and somewhere in between those minimum and maximum prices will appear the amount of such funded obligations.

The way the indebtedness of the railroads to the Government occurred was not the result of haphazard nor was it the result of a policy of liberality. In 1918 loans were made and expenditures were made with the one basic idea of winning the war. For example, the New Haven needed financial help and financial help was given it in the way of a loan which amounted to forty-odd millions of dollars, because the New Haven had to be kept alive; aside from any question of desire it had to be kept alive as a transportation system feeding, as it does, a great part of New England and of the East. Aside from its operations in connection with the transportation needs of the country in time of war I think it would have to be kept alive even in time of peace because it is a great system that is an essential part of the transportation systems of America. But any way loans were made to it. They were agreed to be made to the Boston & Maine, and expenditures were made on all of the roads with the idea of the Governmental need as a primary consideration. After the war ended expenditures were made only in a most conservative way and complaint has been frequently directed against the Railroad Administration by some railroad companies and by some citizens that we spent too little on the properties and that as a result of our conservative policy in expenditures they are now confronted with the need of making expenditures in such large volume as to seriously hamper their credit and, pending the making of the expenditures, to seriously hamper their ability to perform the transportation needs of the country. These charges are particularly made in regard to equipment, about which I will desire to say something.

ADDITIONS AND BETTERMENTS.

Coming to the actual figures, here is what happened: In 1918 there was expended in the way of additions and betterments to roadway and structures, $445,500,134; there were ordered 100,000 freight cars and some 1,300 locomotives, but there was actually paid on account of this equipment ordered $117,787,629, and then for miscellaneous physical property there was spent something under $500,000, making a total expenditure for 1918 of $563,782,262. Now, in 1919 there was expended $288,407,909 for additions and betterments to roadway and equipment.

There had been ordered an additional 600 engines, and there was expended on account of the other equipment ordered and this new equipment, $241,402,832, and for miscellaneous physical property, $1,304,362, or a total of $531,155,103. Now, Mr. Chairman, that makes a total expenditure for the two years of $1,094,897,365. When you consider that the expenditure for additions and betterments in America annually had been, over a 10-year period previous to the war, more than $600,000,000, as I recall it, and when you undertake

to equate values, realizing that a dollar to-day has a purchasing power, translated into things bought or done, greatly less, I think you have an exceedingly conservative expenditure of moneys. Now, the expenditures during 1919 were practically measured by two things, the holdover work from 1918, plus the absolute necessities of the roads to meet the service as it was being then performed; in other words, we spent nothing that did not have to be spent unless the railroads could themselves finance, and the railroads, I might say, in passing, actually financed during the 26 months' period something like—they paid for work that we did for them or for equipment which they purchased directly, something over $50,000,000, as I recall. Now, in January and February—we have not all the figures in—it is estimated that there was an expenditure made of about $40,500,000, so that there had been a total expenditure during the 26 months' period in the way of additions and betterments to roadway and structures and equipment of $1,135,427,280. The railroads of America have prepared their budgets of expenditures for 1920 which have been submitted to the Interstate Commerce Commission. Perhaps it is unwise to anticipate what they will actually show, but I believe I am perfectly safe in saying that the judgment of most of the railroad presidents of the country is that there ought to be expended for equipment alone something between $400,000,000 and $500,000,000.

A very interesting situation has arisen in connection with equipment. The railroads are to-day very properly seeking to find means to obtain the money for getting this equipment and they have indicated to the Interstate Commerce Commission that they think the $300,000,000 fund that Congress made available should be largely used in expenditures for equipment for the various railroads, and yet during the major part of last year the hardest work I have had to do in many years was to convince the railroads that they ought to accept the equipment that was ordered by the Railroad Administration for their benefit and which they insisted they should not be required to take.

ALLOCATED EQUIPMENT.

Mr. BYRNES. Did they base their objection on the price paid for the equipment?

Mr. SHERLEY. They based their objection on two grounds. One was that the cost was excessive and represented a war cost and the other was that they did not need the equipment that was being purchased and sometimes that they did not need the type that had been ordered. Now, in point of fact, that same equipment could not be purchased to-day as cheaply as it was purchased then and not only is all of it needed but, as I have stated, they are favorable to the expenditure of $400,000,000 to get more. It may be interesting as a matter of historic record if I read you by months the situation showing the acceptance and nonacceptance of this allocated equipment. First as to the cars, and I start with the time I became director of finance. On April 7, 1919, there had been accepted, 46,800 cars; there were allocated and not accepted 47,950, and there were unallocated 5,250; on May 9, there had been accepted 48,800; on June 11, 48,300; on July 14, 54,750; on August 7, 62,350; on September 9, 66,350; on October 8, 68,300; on November 12, 73,600; on

December 10, 83,800; in other words, there were 16,000 cars that had not been accepted. In January there were accepted 94,850; on February 9, 99,000, and by March 1, all of them had been accepted.

Of the locomotives, it is the same story; accepted in April, 891; in May, 913; in June, 997; in July, 1,345; in August, 1,390; in September, 1,564; in October, 1,709; in November, 1,740; in December, 1,869; and so on down to a final acceptance of all of them.

The CHAIRMAN. The railroads have now accepted all the cars, locomotives, and other equipment and you have their obligations for them?

EQUIPMENT TRUSTS.

Mr. SHERLEY. We have taken their equipment trust obligations for all of them except about $25,000,000 worth which has been paid for in cash or will be paid for out of the compensation due the railroads, so that the equipment situation is practically a closed one, and in a few moments I will endeavor to give you some details about it. I feel I should say this because I think it ought to be said in justice to the Railroad Administration. There was an appreciation all at times by the Railroad Administration of the need of additional equipment even beyond that which was ordered and subsequently taken by the railroads, but manifestly when we were met through the greater part of the year 1919 with a denial by the railroads of the need of equipment and of any obligation on their part to take it or to pay for it we did not feel warranted in undertaking to order additional equipment for them, and I think we would have been subject to very severe censure if, in the face of a nonacceptance of half of the equipment that we had ordered, we had gone forward and ordered additional equipment though we constantly urged upon them the fact that they would need the equipment and that as soon as the volume of business became anything like normal there would be an acute car shortage in America, a car shortage which exists here to-day and which I feel is likely to become more pronounced in the months to come.

Mr. Chairman, in connection with this equipment, there have not only now been the acceptance by the railroads and the actual payment either through cash payment or the issuing of notes, but there has been an agreement made by the roads by which they accepted, freed from all claim for damage either on account of price or on account of character of car or on account of allocation of it to the railroads; in other words, there is a complete cleaning up of all of the financial phases of the allocated equipment. There remain to be filed with the trustees certain papers from a number of companies that are being checked up, but the important papers, the execution of the trusts, the making of the notes and the hundreds of details that were necessarily involved in transactions of this magnitude, have been carried through, so that I feel that that particular problem of the Government is, in a sense, behind it so far as the acceptance and promise to pay of the railroads are concerned.

Now, touching the form these obligations were taken, I desire to say this: As you will recall, when I testified the last time, I then

said it was hoped that some financing of this equipment might be had by virtue of the creation of a national equipment trust whereby there could be tied together the obligations of the various roads, and against those obligations would be issued securities that could be sold in the market, and the Government thereby, in part, recoup itself for the moneys it had invested in this equipment. That plan was undertaken and the first thing necessary to its success was, of course, an acceptance by the railroads of the equipment which had been ordered for them.

As I have just shown, that acceptance in its entirety did not take place until just a month and a little more ago, but there had occurred in the latter part of June such an acceptance of equipment, with such promises of acceptance, as made it look likely that the plan could be carried out, and, accordingly, there was created at the instance of the railway executives a committee of bankers representing the chief banking houses of America which worked out a plan looking to the financing of the cost of this equipment. They presented that plan as of June 23, and shortly thereafter the Railroad Administration indicated its willingness to undertake the financing of the equipment along the lines generally indicated in the plan. The plan contemplated the execution by the individual railroads to whom equipment had been allocated of equipment trusts for an amount equal to 100 per cent of the cost of the equipment; the equipment then being figured as of a value of $400,000,000. There was to be created a national equipment corporation which was to have a capital stock of $148,000,000. The plan first contemplated that the title to the equipment should be placed in this corporation and that it should then sell it to the different railroad companies, who would give their equipment trust obligations for its entire cost. The national equipment corporation would then issue as against these equipment trust obligations its own obligations in the amount of $280,000,000, and out of the moneys received $280,000,000 would be paid to the Railroad Administration in repayment of 70 per cent of the cost of the equipment; and out of the $148,000,000 of stock $120,000,000 thereof would be paid to the Railroad Administration in payment of the remaining 30 per cent of the cost of this equipment, and the other $28,000,000 of stock would be used to supply a guaranty fund equal to 10 per cent of the bonds sold the public, so that what would happen would be that the Government would get $280,000,000 in cash, $120,000,000 in stock of the corporation, and this $28,000,000 would be up as an additional guaranty against default.

The equipment trust notes that were to be sold to the public were to bear, presumably, 6 per cent interest, although the plan did not state that positively but said that would necessarily depend somewhat upon market conditions. The stock that the Government was to take would bear 4½ per cent interest, and in the absence of any default would be retired one-fifteenth annually. The result would be that there would be paid in by the railroads one-fifteenth of the $400,000,000 annually and 6 per cent interest on all the $400,000,000. There would be paid to the holders of the bonds sold to the public one-fifteenth of $280,000,000 and 6 per cent on the outstanding bonds, and there would be paid to the Government annually a sum equal to one-fifteenth of the $120,000,000 of the stock, a fifteenth of

which would be retired. There would be paid also 4½ per cent interest as a dividend on the outstanding stock. The other 1½ per cent interest on the $120,000,000 would serve to create an additional reserve fund against defaults and for the payment of expenses, discounts for sale of the bonds if necessary, and to the extent then possible an added dividend on the stock. The effect of that would have been to have built up a very fine security from the standpoint of the investor. The effect, also, would be to defer to the extent of 30 per cent the Government's interest. In other words, the stock of the company would be retired only if the moneys received under the individual equipment trust were sufficient, first, to pay the bonds outstanding with the public, and then to retire this stock. The Government would have been reimbursed in cash to the extent of 70 per cent of its investment in this equipment, and as to the 30 per cent would be entitled to repayment in 15 annual installments, subject, however, to the repayment of the bonds to the public. It would defer its lien as to 30 per cent, and it would, as to the 30 per cent, receive in the first instance only 4½ per cent of interest. Translated, it meant that the Government, in order to discount the paper of the railroads, would be taking 4½ per cent on 30 per cent of its investment, getting cash for the other 70 per cent, instead of carrying the whole investment at 6 per cent.

I think the plan was a desirable plan if the bonds could have been sold at 6 per cent without discount, but if it meant that the bonds which had to be sold to the public had to be sold at a considerable discount, then it seemed to me, and seems now to me, that the Government would be not only deferring its lien as to 30 per cent, but it would be paying a discount for the cash that it got that would not be justified except in case the Government felt its needs for money was such that it was not warranted in carrying this debt over the 15-year period.

After the plan was proposed, the Railway Administration objected to the Government taking stock in a corporation owning equipment. It did not seem to us to be a proper governmental activity unless forced by greater necessity than seemed to be presented in this case, and it was suggested, therefore, that in lieu of that, there be a corporation created with a nominal capital stock and that it issue two classes of debentures, bonds that should be sold to the public in the amount originally contemplated and bonds which should be given to the Railway Administration for the 30 per cent that it carried of the 100 per cent, 70 per cent being paid out of the proceeds from the bonds sold to the public, these bonds that the Government would take being secondary in character, just as the stock would have been to the bonds that were sold to the public. Plans were accordingly worked out along that line, but when they had developed somewhat the attorneys for the bankers were of the opinion that the power did not exist to carry out the plan, and accordingly an act was introduced and passed through Congress as of November, 1919, undertaking to make clear the power of the Government in the premises.

By this time, unfortunately, if a market had existed, it no longer did, for the floating of this large quantity of equipment trust obligations; at least on terms that the Government would have felt justified in considering. Accordingly, equipment trusts were taken of the various railroads for 100 per cent of the equipment in such

form that they can be subsequently made the basis for the issuing of securities by a national equipment corporation under the plan outlined by the bankers. The Government, in other words, can either hold these equipment obligations, being paid from year to year, or they can sell them as individual obligations whenever the market conditions may warrant, or they can throw them together as security for the issuing by a national equipment corporation of obligations such as were contemplated under the plan which is commonly spoken of as the Hanauer plan, he being the chairman of the bankers' committee which presented the plan.

The matter is one about which Congress could very properly, if it desired, express an opinion. It is possible to take these equipment trusts and combine them and against them issue securities under this plan and recoup the Government in a considerable sum of money, if it is thought desirable to pay the discount that would probably be incident to that at this time.

The CHAIRMAN. Suppose we did that, Mr. Sherley, would not the railroads then come right back and say that the Government had received this money and that the money market had been made tighter because we had floated $400,000,000 worth of equipment securities, thereby taking funds they would otherwise have been able to draw upon, and that the Government therefore must appropriate more money to lend the railroads to help them out because of a tight money market, and are we not traveling in a circle if we do that.

Mr. SHERLEY. Of course, that was one of the problems that confronted us and it was partially because of that view you have expressed that I, after consulting with the Treasury and with other financial agents of the Government, together with financial advisers of the Railway Administration, reached the conclusion that at this time, considering the needs of the railroads themselves to go into the market for additional equipment and considering the fact that probably there would be asked considerable discount for underwriting the sale of such a large quantity of equipment trust notes, it was wiser and better governmental policy to simply carry them for the present, leaving the question of whether they shall be individually sold or made the medium for the creation of a national equipment trust, to be determined as the facts may warrant in the future. These equipment trusts are given for 100 per cent of the cost of the equipment. That was a necessary incident to the Hanauer plan, and they were taken that way in order that, if we wanted to go through with this plan, it might be done, but there were two other reasons, which seemed to me to warrant the taking of the kind of equipment trusts which were here taken: One was that the 25 per cent which is usually paid in cash, equipment trust obligations being made for the remaining 75 per cent, would have to have been furnished in most instances, if not in all, by the Railroad Administration, so that in any event it came from the same source. The other was that I believed it was better to take what I considered a very high order of security for 100 per cent of the debt and use the depreciation credits that were expected to supply the cash moneys in liquidation of other indebtedness of the railroads that was not so secured, rather than to use it in reducing the amount of the indebtedness on account of the equipment, and then taking the security of the equipment only for the

balance of the debt; but in order to make available a market for these individual equipment trusts, if it should be so desired or necessary to do so, it is provided in them that the holder of the last five notes can surrender either the whole five or any part of the five to the trustee and have them marked as secondary in lien to the first ten notes.

In that way, there can be created in case of default a margin of safety that would run anywhere from 33⅓ per cent of the cost on down, accordingly as five or four or three of these last-maturing notes are so deferred. The result is that I feel satisfied that the Government has a security that in normal times would be readily marketable and amply protected for this very large indebtedness.

I should have stated, Mr. Chairman, that these equipment trust obligations bear 6 per cent interest, and that one of the reasons why, perhaps, it might be difficult to market them at par at this time is because, as you know, money is bringing more than 6 per cent on first-class securities.

The CHAIRMAN. Mr. Sherley, is it not perfectly evident that if you should now accept any of these plans suggested for the disposal of these equipment trusts owned by the administration and receive the cash for them, or approximately 70 per cent of the cash, with the railroads now planning to ask the Interstate Commerce Commission to permit them to use the $300,000,000 provided for in the transportation act for the acquisition of equipment during the year, that they would certainly make the claim that that amount, if not more, should be made available if the Government should step in and weaken the money market by the sale of the equipment trusts that it now owns?

Mr. SHERLEY. I think there is considerable force to what you say, Mr. Chairman, particularly in view of this fact, that I think it is possible that there may be suggested and worked out a plan whereby instead of using all of the moneys of the $300,000,000 that may be available as loans to the railroads for payment of equipment, there will be used considerable part of it in the making of a partial payment on the equipment and the use of equipment trusts for obtaining the moneys for the balance of the equipment. It is perfectly manifest that the investment market will only take a certain amount of this character of securities; at least, at prices that would be justifiable.

Therefore, if the Government at this time enters the market with these equipment trusts to that extent it draws upon moneys that may be available for that character of investment and thereby lessens the available funds for new equipment trust obligations of the various roads. In point of fact there are some of the roads now, of strong credit, that are negotiating at higher rates of interest, however, than this, for the flotation of equipment trust obligations, and for the present I can only repeat that it seems to me desirable that the Government should not attempt to finance, certainly in any large sums, if at all, these equipment trusts.

I would not want to commit the Railway Administration to a policy as to the future in this matter. It is quite conceivable to me that the time might arise during the life of these equipment trusts when the money market would be such as to warrant the Government in selling, and to enable them to sell without loss and thereby recoup itself.

The CHAIRMAN. If the Government could do that so as to clean up the whole thing, that might be very desirable, especially if it could do it without being compelled to pay $5,000,000 or $10,000,000 in financing the matter, with the probability hanging over it, that the Government would be requested by the railroads, in one form or another, to put the same amount of money back into other investments for the railroad companies.

Mr. SHERLEY. I believe I stated, Mr. Chairman, that I would put into the record a list of the equipment trusts that have been made by the various roads for the different equipment and the amounts, etc. (See Exhibit D, p. 226.)

SECURITY OF GOVERNMENT FOR INVESTMENTS IN ROADS.

We have worked up, Mr. Chairman. accounts with the various railroads. They are necessarily tentative accounts because they might be very materially affected by the questions of maintenance, with which the director general dealt. For instance, it is the contention of the Railroad Administration that to the extent that it might have maintained properties at a cost in excess of that which was expended in maintenance during the test period by the railroads involved, it has met its obligations for the creation of depreciation credits; so that it is possible that the accounts, as we now tentatively set them up with the various roads, may be considerably changed. Then, there are of necessity other items outstanding in regard to indebtedness for additions and betterments and claims that the roads may make because of expenditures being, as they think, for war purposes, and not properly chargeable to them, etc.; but these accounts undertake to show that a certain number of roads will be very largely indebted to the Railroad Administration, while the indebtedness of other roads will be in very much less amounts. A study is being made as to all the roads whose indebtedness is heavy, looking to the character of the security that should be taken to safeguard the Government against loss. As to most of the roads, I think it will be practicable to obtain very satisfactory securities. Some of the roads will necessarily present problems of great difficulty touching the character of security that should be taken; and the ability of the roads to repay their indebtedness to the Government is going to be dependent, of course, as the whole railroad problem is dependent, upon what shall develop in the immediate future touching their earning power.

Now, Congress has made a new law that undertakes to give to the Interstate Commerce Commission a new rule touching rate making, and I presume that that law will be so administered as to enable the roads to earn the 5½ per cent upon their investments, as the act contemplates, together with the other one-half of 1 per cent that it permits. In that event, there ought not to be any real loss to the Government in connection with this indebtedness. Of necessity, in dealing with figures this large, some of the debts may not be collected, but I think that we are all, with our present light, warranted in the assumption that of this nearly $1,000,000,000 worth of capital investment only a very small proportion will ever entail a real loss to the Government.

LOAN TO NEW YORK, NEW HAVEN & HARTFORD CO.

The CHAIRMAN. When you were before the committee on a former occasion, reference was made to a loan to the New York, New Haven & Hartford Railroad of $51,000,000, and to either a loan or an anticipated loan to the Boston & Maine Railroad of $20,000,000. I wonder if you could make a statement now with regard to the condition of the loans to those roads?

Mr. SHERLEY. The New York, New Haven & Hartford Railroad loan matures on the 15th of this month. There has been paid on it something under $1,000,000, due to payments made on collateral that has been pledged with the loan, and upon the collateral being taken up, the moneys received thereby were applied in liquidation of the principal of the debt. I have advised the Treasury that it will be necessary to arrange for the funding of that indebtedness as the act permits, and that therefore it appears to be desirable, upon the maturity of the loan, to permit it to remain in demand form until there can be worked out the details touching the funding of that and other indebtedness of the New Haven road.

The New Haven will owe the Government a total sum of approximately $70,000,000, including this indebtedness. We have asked the president of the New Haven to submit on behalf of his company the plans that they have in view looking to taking care of this indebtedness, and I have also requested that a study be made of the matter by some gentlemen who act as advisors for the Railroad Administration, and on receipt of the plan of the New Haven there will be an effort made to work out some plan looking to the securing of this debt. It was believed by the New Haven officials at the time that the collateral was given with that loan—which was stated in the record of last year and which can be resubmitted here as an exhibit if desired—that the collateral represented a value of at least $70,000,000; but that is necessarily a matter about which there will be a difference of opinion. I take it that the situation of the New Haven road is like that of the New England roads generally, which is one that presents at present an unsolved problem in transportation. The New England roads under the conditions that existed just prior to Federal control were not very prosperous, and, necessarily, there needs to be made a rearrangement of the rates in order that those roads may go forward. Under the mandate of the transportation act I assume that that will be done, and with it there should be no difficulty about the repayment. The New Haven is a road that is not heavily indebted as compared with many other systems. The amount of its indebtedness is not so great as to present a problem incapable of solution. While I think that it will now fund for the entire period that the act permits probably most, if not all, of its debts, yet it is quite conceivable that a financial plan may be worked out for that road whereby it not only can, but will, desire to pay prior to the 10 years.

The CHAIRMAN. Have you any security for the other $20,000,000, in addition to that pledged for the $43,000,000?

Mr. SHERLEY. I have not. The New Haven has no mortgage on most of its property, and probably there will need to be worked out some plan looking to the creation of a mortgage debt and the issuing of new securities similar to what has been done in connection with the Boston & Maine.

The CHAIRMAN. My recollection is that they own a great many stocks and bonds of other railroads and of utility companies.

Mr. SHERLEY. Yes, sir.

LOAN TO BOSTON & MAINE RAILROAD CO.

The CHAIRMAN. How about the Boston & Maine debt?

Mr. SHERLEY. The Boston & Maine transaction has been carried through as contemplated. Its reorganization has gone through, I think, in all particulars, except, perhaps, the payment of some of the reorganization charges which are not an obligation of the Government at all, but which the Government might have to advance some moneys for. For the $19,000,000 that we agreed to advance, and did advance, we have taken the bonds of the Boston & Maine Railroad. We have also taken $8,000,000 more of those bonds to secure the Government for the additions and betterments that were expended on that road. We have purchased those bonds outright, so that that debt has been merged into a debt represented by the bonds which the Government now owns. Those bonds are bonds of a high order of security, and it is believed that they amply secure the Government. The mortgage covers all of the property and franchises of the reorganized corporation, and is a prior mortgage in all particulars, except as to a lien, if any, of the Northern Railroad Co. under and by virtue of the provisions of a lease. There was a lease of the Northern Railroad whereby it was given a lien upon certain properties conditioned upon the carrying out of the lease and the payment of the sums contemplated under the lease; but that is a minor obligation, if any, and does not affect the validity of the security that we have taken.

The CHAIRMAN. You bought those bonds outright?

Mr. SHERLEY. Yes, sir.

The CHAIRMAN. To what extent?

Mr. SHERLEY. $26,948,000, Mr. Chairman.

INVESTMENTS IN STOCKS, BONDS, AND RECEIVERS' CERTIFICATES.

(See p. 145.)

In that connection, I have here, and will be glad to file it as an exhibit, a statement showing what constitutes the $35,221,198.44 worth of stocks, bonds, and receivers' certificates that you will find noted as one of the capital assets on the balance sheet. The chief part of this is represented by the bonds of the Boston & Maine Railroad. The rest is represented by stock of the American Railway Express Co. to the extent of $3,656,000, and Southern Railway bonds to the amount of $2,357,730. Those bonds grew out of an issue of $25,000,000 of Southern Railway bonds which were sold through a Chicago bond house with an agreement on the part of the Government to share in the underwriting to the extent that was necessary. As a result of that, we bought something in excess of the amount we now own of those bonds, subsequently selling some at the price at which we bought them, and we have left the amount which I have indicated.

The CHAIRMAN. Did you get these bonds at par, or something less than par?

Mr. SHERLEY. At 97¾. That was the cost price, and they are stated here at the price that they cost us.

The CHAIRMAN. You took the Boston & Maine bonds at par?

Mr. SHERLEY. Yes, sir.

The CHAIRMAN. How about the stock of the American Railway Express Co.?

Mr. SHERLEY. I can put a statement covering that in the record.

Mr. BYRNES. What will you do with the Southern Railway bonds?

Mr. SHERLEY. They are like other obligations, and they can, of course, be sold at any time at the market price, but at present that would entail a slight loss, and my idea would be that the Government should carry them until they can be disposed of at what they cost.

Mr. BYRNES. Is it a fact that you can not dispose of them now except at a loss?

Mr. SHERLEY. I am sure there could not immediately be found a market for them at the price at which we took them. The reason they were taken, Mr. Byrnes, was that at the time the Southern Railway had to make this issue in order to take care of some maturities. The price that was offered by an eastern banking house was not considered satisfactory, as I recall it, although that transaction was before my connection with the Railroad Administration, and the sale was, therefore, made through the medium of some underwriters in Chicago. Those underwriters undertook it with an agreement on the part of the Government that it would share in the underwriting, if necessary, to a certain extent. It did so share, and as a result it owns those bonds. The reason the Government took this action was to protect the railroad from what it was believed was an unjust interest charge and the establishment at that time of such a high interest rate in connection with the maturities of various railroads.

The other items making up that total relate to the Denver & Salt Lake receiver's certificates. They were taken at their face by a road in the hands of a receiver in order to secure money advanced in large measure to take care of equipment trust obligations, as I recall. They represent perfectly valid and enforceable securities, like receiver's certificates generally, and they are always looked upon as good. There are $1,400,000 worth of International Great Northern receiver's certificates represented. With your permission, I will be glad to correct this list, or the statement I am making from memory, and I will supply an accurate statement as to each one of these securities.

The CHAIRMAN. I suppose to throw on the market the bonds of the Southern Railway and the Boston & Maine Railroad would mean a loss?

Mr. SHERLEY. Of course, the Boston & Maine has just gone through a reorganization, and manifestly at this moment these bonds do not command a market in which they could be readily disposed of at par; and I take it that it is not contemplated that the Government should undertake to sell at a loss at this time obligations such as these.

The CHAIRMAN. What I was trying to get at was whether it would mean a loss if the Government desired to obtain some of the money you are asking for from that source.

Mr. SHERLEY. I think that, unquestionably, if you sold at this time these Boston & Maine bonds, which are just being issued, because the reorganization is not in every detail completed, it would mean to take quite a loss.

Mr. BYRNES. I agree with you as to that, and I only inquired about the Southern Railway bonds because I noticed in the press reports about the good financial condition of the Southern. They stated that they did not want your guarantees, and, that being true, I do not understand why you can not dispose of those bonds at par.

Mr. SHERLEY. The value of those bonds is easily ascertainable. The papers carry the daily quotations on those bonds.

Mr. BYRNES. I wanted to follow that up and see what the bonds are quoted at.

Mr. SHERLEY. We can get for you the quotations on those bonds as of to-day.

NOTE.—On March 7, 1920, Southern Railway three-year 6 per cent notes due March, 1922, were quoted at 93¼ bid and 94 asked.

This quotation does not necessarily indicate a real market within that range for any considerable number of such bonds.

THURSDAY, APRIL 8, 1920.

The CHAIRMAN. Mr. Sherley, when we adjourned yesterday, you were giving us information in regard to the capital assets. Have you anything further you desire to say with regard to that?

Mr. SHERLEY. Mr. Chairman, I have checked up a number of those matters, and I think I am able to give you considerable of the information that I did not have immediately at hand yesterday.

MISCELLANEOUS INVESTMENTS—LIBERTY BONDS, ETC.

(See p. 120.)

Dealing first with the item of $88,459,443.22, which appears under the title of miscellaneous investments—principally Liberty bonds—I have had that split up so that it produces the following situation: First Liberty loan bonds, $10,766.13; second Liberty loan bonds, $182,401.52.

The Liberty bonds represented by these two items were obtained, I think, largely in this way, Mr. Chairman, though I can not be absolutely sure about it: The railroads were asked to act as agents for the Government in the sale of war savings stamps, and as such agents they were required to give security for the proper handling and accounting of war savings stamps delivered to them for sale, and they purchased in the market Government bonds as security, and I think a large part, if not all, of these bonds represent bonds thus acquired. It is conceivably possible that some few bonds may have been carried over from the days of the railroads in the way of subscriptions being made by employees, and in that way they came into the possession of the Government, but as near as I can ascertain the information is as I give it.

As to the third Liberty loan bonds, there are $10,444,950. This occurred, as I explained yesterday, by the employees having subscribed and not having made good their subscriptions, and the Railway Administration, having purchased the bonds, it had this amount left on its hands.

Of the fourth Liberty loan bonds, there were $27,088,900 worth, and the situation that I explained yesterday applies to them.

Of the Victory loan bonds, there were $47,779,723.69, and these bonds were held as of the 1st of January, but doubtless payments have been made during January and February and thereby that amount of bonds will be reduced by such payment of the employees of their subscription, and accordingly as the cash is received, the bonds will be delivered. The reason the Victory loan bonds were not entirely cleaned up prior to this time seems to have been this: At the time the fourth Liberty loan payment was coming on and Victory loan subscriptions were being taken, there was a considerable falling off in railway business, so that a good many of the employees of the railroads were being laid off, and not having regular employment, they therefore asked, frequently, for extension of the time for the payment of their subscriptions, and Victory loan subscriptions were permitted to be extended over a longer period of time so that thereby they have not been cleaned up to the degree that they might have been ordinarily. They represent an investment made by the Railway Administration with the desire to help float the bonds of the Government, and, of course, do not represent a loss but simply an investment of moneys.

The next item is an item of $2,835,600 in payment of Locomotive Superheater Co. stock which was purchased from the Alien Property Custodian, and I shall be glad to place in the record a copy of the contract with the Alien Property Custodian. Briefly, Mr. Chairman, this stock was taken over under the alien property law by Mr. Palmer, and was stock in a company that has a number of very valuable patents in connection with the superheating of the steam in locomotive boilers in order to get for a given expenditure of fuel a larger production of power. We paid cash, $25,000, and are obligated to pay the balance. Said contract is as follows:

LOCOMOTIVE SUPERHEATER CO.

An agreement made this 23d day of January, 1919, by and between A. Mitchell Palmer, Alien Property Custodian (hereinafter called the custodian), of the one part, and Walker D. Hines, Director General of Railroads (hereinafter called the director general), of the other part.

Whereas the custodian acting under authority of and in accordance with the powers vested in him by the trading with the enemy act as amended and the Executive orders of the President has heretofore required to be conveyed, transferred, assigned and delivered to the custodian certain shares of stock of the Locomotive Superheater Co. (a corporation organized and existing under the laws of the State of Delaware) and the director general desires to buy the same for the United States,

Now, therefore, in consideration of the premises and the mutual promises herein contained it is agreed as follows:

1. The custodian hereby sells and agrees forthwith to assign, transfer, and deliver to the United States 14,178 shares of the Locomotive Superheater Co.

2. The director general agrees to pay therefor the sum of $200 per share, or $2,835,600, in cash, of which $25,000 shall be payable upon the delivery of the said shares and the remainder thereof upon demand after 12 months from the date hereof.

3. The custodian represents that he has good and lawful authority to sell the said shares as herein provided and agrees that in case the United States shall be obliged to relinquish the said shares or any portion of them the custodian will deduct from the purchase price aforesaid the sum of $200 for each share so relinquished. In case of any such relinquishment a proper adjustment of dividends and interest shall be made.

4. The portion of the purchase price not payable forthwith upon delivery of the said shares as hereinbefore provided shall carry interest at the rate of 5 per cent per annum.

5. The United States shall be entitled to any and all dividends hereafter declared with respect to the shares purchased.

Witness the parties hereto the day and year first above written.

A. MITCHELL PALMER,
Alien Property Custodian.
WALKER D. HINES,
Director General of Railroads.

The CHAIRMAN. Mr. Sherley, to the extent that you are able to sell capital assets and realize cash therefor, your estimate can be reduced?

Mr. SHERLEY. That is true, sir.

Mr. Chairman, may I just finish for the moment the other items that went to make up this $88,459,000 of miscellaneous investments.

Notes receivable, $74,890.82. They are largely odds and ends of notes received by the carriers out in the field for little liabilities of shippers or of others that for one reason or another could not be collected or that were thrown into the form of notes. I am unable to give you any greater details than that, but that is what it amounts to, in substance.

There are $442.73 worth of war-savings stamps that were left on the hands of the various carriers which can not be redeemed except at a little loss and therefore have been carried.

There are $1,700 worth of mortgages which would correspondingly represent situations similar to the notes, evidently mortgages being taken or perhaps one particular mortgage in regard to some debt growing out of the operations in the field.

Canadian bonds, 1918, $3,811.31.

Mr. Chairman, I do not know just what transaction that represents, but I suspect that this is what occurred. There are a number of our roads that run through Canada. It is quite possible that some agent of one of our railroads in Canada during the Canadian drive for subscriptions to their victory loan subscribed on behalf of the railroad for a certain amount of bonds, $3,811.31 worth of bonds, and this represents that investment. It is possible, however, it may have arisen by taking a bond in payment of some obligation. It is a very small amount and is simply one of those things that occur in a huge business, and while we can get you the information by sending out to the books in the field, we did not have it available here in Washington.

The other miscellaneous investment of $36,257.02 we are unable to tell you in detail about.

Now, Mr. Chairman, that represents the $88,000,000 item.

INVESTMENTS IN MISCELLANEOUS PHYSICAL PROPERTY.

There is another item of investments in miscellaneous physical property of $1,798,861.24, which in large measure is property such as rail and other physical properties that were bought in connection with the operation of the railroads. It may be in some instances property or rail that was incident to the building of certain tracks in connection with the use of railroad spurs that have since been abandoned and this property recovered as salvage. We are having a full report made of that, and Mr. Parker may be able to tell you something more in detail about it.

Mr. PARKER. Some of the railroads, in fact a good many of them, have a practice of leasing rail to logging railroads; that is, outside

railroads build a small line to tap some timber, and for the purpose of building a railroad, which is only a temporary matter, they lease rail from the railroad, and the railroad for the time being therefore has an investment in property which does not form a part of its own railroad, and it carries that for the time being as an investment in miscellaneous physical property. Substantially, I take it, that item is part of our materials and supplies that will go back——

The CHAIRMAN (interposing). Yes; and when it comes to settling that account of $48,394,728.58 for materials and supplies with which you have charged yourself, you will likely get credit for this $1,798,000.

Mr. SHERLEY. For some part of it, that is quite true, sir. It is possible there may be a complete recovery there, and of course you will appreciate, Mr. Chairman, and I want to again emphasize, as I may have occasion to when I undertake to give you in a few minutes a summary, that we are necessarily making estimates. When you speak of $48,394,728.58 as being the total that we must pay in order to comply with our obligations touching the restoration of materials and supplies taken over, or the payment for any shortage in cash at present prices, you speak of an item which of necessity can not be accurate, certainly not to the cent as shown here. It is made up from our book records, but there is going on in the field to-day an actual inventory of the property by which the whole matter will have to be checked, and it is quite conceivable that that will vary up or down quite a bit, and yet it is as accurate as accurate bookkeeping and the magnitude of the job make possible.

LONG TERM NOTES OF CORPORATIONS.

Mr. Chairman, something was asked about the $44,433,664 worth of items under the head of "Long term notes of corporations," and I should like, in order that the record may seem a little cleaner, to tell you now about them, with the understanding that it can be thrown into yesterday's testimony. I think that will save confusion.

The Central Vermont Railroad indebtedness of $300,000 is a loan evidenced by a promissory note payable in two years, bearing interest at the rate of 6 per cent per annum, payment of principal and interest of such note being guaranteed by the Grand Trunk Railroad Co. of Canada. The loan was made for the purpose of furnishing funds to the company to meet certain pressing corporate needs. It was made as of November 18, 1918.

As to the Pittsburgh & Shawmut loan, originally there was an agreement to make a loan in an aggregate amount not in excess of $500,000, out of which a total of $354,005 has been loaned. At the time of the testimony last year there had been loaned $203,500. This is in the form of promissory notes dated at the time these loans were made beginning back in August of 1918, payable two years from date, bearing interest at the rate of 6 per cent per annum, and are secured by the deposit of first mortgage 5 per cent bonds of the company at the rate of $2,000 in bonds for each $1,000 of loan. They were made to furnish funds required for the making of certain additions and betterments to the property of the company. The first note was of date August 12, 1918, for $110,000 secured by $220,000 principal amount, first mortgage 5 per cent redeemable sinking fund gold bonds of the Pittsburgh & Shawmut Railroad Co., due Decem-

ber 1, 1915. The note is payable August 12, 1920. The next note was made January 20, 1919, for $150,505, secured by $302,000 of principal amount of the same bonds just mentioned, and this note is payable January 20, 1921. The third note was of date October 7, 1918, for $93,500, secured by $187,000 principal amount of the same character of bonds and this note is payable October 7, 1921.

As to the New York, New Haven & Hartford Railroad, I can read the collateral, but it is pretty lengthy, and it is the same as that which was indicated before except that there has been paid since we last testified on that note some nine hundred odd thousand dollars, as I explained yesterday, which grew out of the sale of 18,750 shares of stock of the Eastern Steamship Lines, a corporation of the State of Maine. This was preferred stock of the par value of $1,875,000 and was sold for $937,500, which was applied to the reduction of the debt.

The CHAIRMAN. Suppose you put in the record a statement corrected as of the present time?

List of collateral deposited to secure loan of $43,026,500 to New York, New Haven & Hartford R. R. Co.

Bonds of the following several corporations:	
(a) Central New England Ry. Co. first mortgage 4 per cent 50-year gold bonds, due Jan. 1, 1961, principal and interest guaranteed by the New York, New Haven & Hartford R. R. Co.	$1,500,000
(b) New York & Stamford Ry. Co. first and refunding 50-year gold bonds, due 1958	678,000
(c) The New England Steamship Co. 5 per cent first-mortgage bonds, due 1934	4,880,000
Debentures and notes of the following several corporations:	
(a) The Harlem River & Port Chester R. R. Co. 5 per cent prior lien gold debenture bonds, dated May 1, 1915	13,000,000
(b) The Connecticut Co. equitable lien 5 per cent gold debentures, dated Aug. 1, 1916	1,000,000
(c) The New England Investment & Security Co. 3, 4, and 5 per cent refunding gold notes, due 1924	13,709,000
Shares of stock of the following several corporations:	
(a) 98,132 shares Old Colony R. R. Co., a corporation of the Commonwealth of Massachusetts	9,813,200
(b) 5,246 shares Boston & Providence R. R. Corporation, a corporation of the Commonwealth of Massachusetts	524,600
(c) 9,561 shares Providence & Worcester R. R. Co., a corporation of the Commonwealth of Massachusetts and the State of Rhode Island.	955,100
(d) 971 shares Norwich & Worcester R. R. Co., a corporation of the Commonwealth of Massachusetts and the State of Connecticut, preferred stock	97,100
(e) 4,867 shares Providence, Warren & Bristol R. R. Co., a corporation of the State of Rhode Island, common stock	486,700
(f) 291,600 shares New York, Ontario & Western Ry. Co., a corporation of the State of New York, common stock	29,160,000
(g) 22 shares New York, Ontario & Western Ry. Co., a corporation of the State of New York, preferred stock	2,200
(h) 17,482 shares Hartford & Connecticut Western R. R. Co., a corporation of the State of Connecticut, common stock	1,748,200
(i) 23,520 shares Rutland R. R. Co., a corporation of the State of Vermont, preferred stock	2,352,000
(j) 37,370 shares Central New England Ry. Co., a corporation of the State of New York, preferred stock	3,737,000
(k) 47,950 shares Central New England Ry. Co., a corporation of the State of New York, common stock	4,795,000
(l) 20,000 shares Hartford & New York Transportation Co., a corporation of the State of Connecticut	2,000,000

Shares of stock of the following several corporations—Continued.

(m) 5,000 shares New York & Stamford Ry. Co., a corporation of the State of New York	$500,000
(n) 53,981 shares Berkshire Street Ry. Co., a corporation of the Commonwealth of Massachusetts	5,398,100
(o) 6,500 shares The Vermont Co., a corporation of the State of Vermont	650,000
(p) 1,417 shares New Bedford, Marthas Vineyard & Nantucket Steamboat Co., a corporation of the Commonwealth of Massachusetts	141,700
(q) 30,000 shares The New England Steamship Co., a corporation of the State of Connecticut, preferred stock	3,000,000
(r) 28,124 shares The New England Steamship Co., a corporation of the State of Connecticut, common stock	2,812,400

Certificates representing the entire beneficial interest in the following bonds and the following shares of stock of the following corporations (legal title to said bonds and shares being vested in court trustees):

(a) Providence & Danielson Ry. Co. 5 per cent first and refunding mortgage gold bonds, due May 1, 1931	600,000
(b) Sea View R. R. Co. first mortgage 5 per cent gold bonds, due July 1, 1948	600,000
(c) 400,000 shares The Connecticut Co., a corporation of the State of Connecticut	40,000,000
(d) 1,015 shares Connecticut River R. R. Co., a corporation of the Commonwealth of Massachusetts	101,500
(e) 2,469 shares Concord & Montreal R. R. Co., a corporation of the State of New Hampshire	246,900
(f) 1,464 shares Connecticut & Passumpsic Rivers R. R. Co., a corporation of the State of Vermont, preferred stock	146,400
(g) 922 shares Northern R. R., a corporation of the State of New Hampshire	92,200
(h) 244,939 shares Boston R. R. Holding Co., a corporation of the Commonwealth of Massachusetts, preferred stock	24,493,900
(i) 31,065 shares Boston R. R. Holding Co., a corporation of the Commonwealth of Massachusetts, common stock	3,106,500
(j) 63 shares Manchester & Lawrence R. R., a corporation of the State of New Hampshire	6,300
(k) 246 shares Hereford Ry. Co., a corporation of the Dominion of Canada	24,600
(l) 184 shares Vermont & Massachusetts R. R. Co., a corporation of the Commonwealth of Massachusetts	18,400
(m) 193 shares Lowell & Andover R. R. Co., a corporation of the Commonwealth of Massachusetts	19,300
(n) 412 shares Boston & Lowell R. R. Corporation, a corporation of the Commonwealth of Massachusetts	41,200
(o) 710 shares Pemigewassett Valley R. R., a corporation of the State of New Hampshire	71,000
(p) 73 shares Upper Coos R. R., a corporation of the State of New Hampshire	7,300
(q) 19 shares Concord & Portsmouth R. R., a corporation of the State of New Hampshire	1,800
(r) 98 shares Wilton R. R. Co., a corporation of the State of New Hampshire	9,800
(s) 86 shares Peterborough R. R., a corporation of the State of New Hampshire	8,600
(t) 84 shares Nashua & Lowell R. R. Corporation, a corporation of the Commonwealth of Massachusetts and of the State of New Hampshire	8,400
(u) 354 shares Massawippi Valley Ry. Co., a corporation of the Dominion of Canada	35,400
(v) 96,855 shares the Rhode Island Co., a corporation of the State of Rhode Island	9,685,500
(w) 9,132 shares Providence & Danielson Ry. Co., a corporation of the State of Rhode Island	913,200
(x) 7,000 shares Sea View R. R. Co., a corporation of the State of Rhode Island	700,000

Mr. SHERLEY. The Southern Express Co. item, as I explained informally, I am unable at this time to advise you about, though we are having a memorandum prepared on it. The negotiations in connection with the Southern Express Co. stock and the Adams Express Co. stock were conducted by Mr. Prouty, and we have been unable, since the matter came up, to gather our records together for presentation, but we will be able either to present now or put in the hearing a full statement as to how the transaction arose in connection with the stocks, bonds, and receivers' certificates. The Boston & Maine matter I endeavored to explain yesterday, and there is nothing to add. The $19,879,000 represented the commitment under the agreement to advance moneys, taking their bonds, in order to enable them to pay off the floating indebtedness; that was actually carried out, and in addition to that there was taken $8,000,000 worth of these bonds at par in order to pay off that indebtedness of the Boston & Maine due to the railroad administration on account of additions and betterments which had been made on their property. It is a closed transaction, with a mortgage created and bonds issued under it, and after the issuance of these bonds and their purchase under the agreement, $931,000 of them were redeemed at par, so that the net amount is the total of the two sums I have mentioned less the $931,000, which is $26,-948,000, as shown in the balance sheet.

The CHAIRMAN. Can you advise us as to when these receivers' certificates will likely be paid?

Mr. SHERLEY. The receivers' certificates of the International and Great Northern will depend upon a reorganization which is now being worked out but which has not yet taken sufficient shape to enable me to answer your question with any degree of definiteness. I should think that within the year that reorganization ought to take place so as to enable those to be redeemed. It is quite conceivably possible that the reorganization will take such form that receivers' certificates would not be paid in cash but would be paid in new securities issued under the reorganization plan; that is, as you know, frequently one of the methods of settling indebtedness growing out of receivership. I am unable to answer at this time, but the property is certainly good for this indebtedness, and being receivers' certificates they come ahead of defaulted obligations that brought about the receivership.

INVESTMENTS IN STOCKS, BONDS, AND RECEIVERS' CERTIFICATES.

(See p. 137.)

The CHAIRMAN. With regard to your investment in stocks, bonds, and receivers' certificates, aggregating $35,221,198.44, how much of that do you feel will come to you in cash during the next eight or ten months?

Mr. SHERLEY. I should not like to prophesy that any of it will. The Denver and Salt Lake receivership certificates, amounting to $859,468.44, are in the same situation as the International and Great Northern. I think, Mr. Chairman, that the working out of reorganization plans for these roads is dependent upon a number of conditions that a man can only have an opinion about without any accurate knowledge. If the credit of the railroads under the new act shall be speedily restored so that it is possible to float new securities, both in

the way of stock and bonds, unquestionably these roads that are now in receivership hands will take early advantage of such market conditions to work themselves out of their receivership and float their new securities, but it would be just an idle guess to say that it would or would not occur during the year.

The CHAIRMAN. Did you have anything further to say about that one item?

Mr. SHERLEY. No, sir.

IMPROVEMENTS ON INLAND WATERWAYS.

The CHAIRMAN. What do the improvements on inland waterways, amounting to $14,581,125.48, consist of?

Mr. SHERLEY. Broadly speaking, they consist of boats, barges, machinery, I think, perhaps, some dredges, and machinery of that kind, all of which, as I now recall, under the transportation act is turned over to the War Department. Is not that true, Mr. Parker?

Mr. PARKER. Yes.

Mr. SHERLEY. So it represents an asset carried on our books to explain what we did with the money, but does not represent anything for which we can ever get cash. Congress instructed us to turn over to the War Department all of the property in connection with the inland waterways and also required us to furnish the War Department with all the moneys requisite to pay any contracts or obligations incurred by us; any new expense in connection with the operation of these waterways or any new capital investments that the Government may make are to be made by funds furnished by Congress to the War Department.

The CHAIRMAN. Have you discharged all of your obligations on account of the inland waterways?

Mr. SHERLEY. We have not. There is a total amount of approximately $3,479,010.74 that is estimated to be yet due, and we have a request from the War Department now for turning over those funds to the War Department, but they are included in our liabilities, as they go to make up this balance, and we will turn over from time to time, as they need the money, this sum of approximately $3,500,000.

The CHAIRMAN. I wonder whether you could put in the record a table showing, in general terms, just what your investment in inland waterways consists of?

Mr. SHERLEY. I think we can supply that in reasonable detail.

CAPE COD CANAL.

The CHAIRMAN. I think for future reference it might be well for you to make a statement regarding the expenditure of the Railroad Administration on the Cape Cod Canal.

Mr. SHERLEY. I do not have before me just the money we have expended, but we can supply that information. However, this may, perhaps, interest the committee: When Federal control ended we turned back all of the property under the command contained in the transportation act and in accordance with the proclamation made by the President, and among other properties the Cape Cod Canal property. There was some difficulty in getting the consent of the canal officials to take over the Government property that was on the

canal in the way of records, and some minor property and to act as our agents. The result was—they declining to accept the property or to go forward as the owners of the property we were turning back to them—that we instructed our representatives to take our records and property off of the property of the canal and turned the canal back for them to take and to operate as they might see fit. We have maintained until recently such offices near there, but off the canal property in order to liquidate the Railroad Administration's affairs. Mr. Parker can probably tell you more in detail about just the situation that has grown out of that.

Mr. PARKER. I think that substantially covers everything that has happened. My understanding is that the Canal Co. has not yet received its property; that the gentleman who was the general manager of the Canal Co. before Federal control and who was the Federal manager during Federal control, has continued to operate the canal since Federal control but for whose account he says he does not know; he is just awaiting developments; he is just continuing to operate it with whatever means he has—borrowing some money from the banks on his personal notes—to keep it going. But that is practically the situation that exists to-day. As to our own representatives, we have practically cleaned up everything that relates to the affairs of the Federal administration and will close up those offices on the 15th of this month.

Mr. SHERLEY. We have taken the position of having returned the canal property; we have tendered it to the owners; we have removed all of our own property from it that was removable and are exercising in no way any control or supervision over it. I do not consider that we are in any way responsible for the canal since the date of its surrender, as of March 1.

The CHAIRMAN. In a statement before the Senate Committee on Interstate Commerce, Director General McAdoo made the following statement:

The Cape Cod Canal was taken under Federal control July 25, 1918, and it is earnestly hoped it will be operated in the future by the Government. Formation of shoals had reduced its navigable depth to 17 feet at mean low water when the Government took control, but the Railroad Administration immediately provided $250,000 for dredging, piling, bank-protection work, etc., and on October 23 the canal was open for vessels drawing 20 feet 6 inches of water, and the dredging necessary to restore the original depth of 25 feet at mean low water is expected to be completed by February 15, 1919. The improvements have been made, including the installation of bank protection, by granite riprapping. In spite of the fact that the work on the canal has not been entirely completed, there has been an increase of 56.4 per cent in the number of vessels handled and 114 per cent in the cargo tonnage transported through the canal in 1918, as compared to 1917. The use of the canal effects a saving of about 65.7 miles in the journey and a great many hours in time; it increases very largely the vessel unit efficiency of these boats which use the canal.

If any additional money has been expended or improvements made than those described by the then Director General I wish you would insert in the record a complete statement with regard to them.

Mr. SHERLEY. We will be glad to do so, Mr. Chairman.

The CHAIRMAN. I assume there will be nothing coming back to the Government from the canal?

Mr. SHERLEY. Mr. Chairman, as you know, there have been various steps looking to the acquisition of the canal by the Government, and it is quite possible that there might be, in the event of the purchase of the canal by the Government, certain offsets against any

purchase price that might be found under condemnation proceedings growing out of expenditures made on the canal by the Government, and there may be other claims against the canal property. It is also possible that there are claims for overmaintenance of this property that will be asserted against it, but whether it is possible to collect, in the absence of a sale of the property and acquisition by the Government I am unable at this time to state.

CAPITAL ASSETS OF RAILROAD ADMINISTRATION.

The CHAIRMAN. In a broad way, I understand that your estimate of $427,727,341 is predicated on the plan of making your adjustments with the railroad companies, and if that appropriation is made and the adjustments are made, as you have planned them, you will then have, as a result of the settling up with the railroad companies, the capital assets described in the left-hand column of the balance sheet, near the bottom, as follows:

Capital assets:	
Allocated equipment (to be funded)	$367, 806, 968. 19
Road and equipment expenditures (not offset in settlements)	270, 079, 574. 99
Open accounts and demand notes (not offset in settlements)	144, 422, 526. 21
Long term notes of corporations	44, 433, 664. 00
Improvements on inland waterways	14, 581, 125. 48
Investments in stocks, bonds and receivers' certificates	35, 221, 199. 44
Investments in miscellaneous physical property	1, 798, 861. 24
Miscellaneous investments (principally Liberty bonds)	88, 459, 443. 22
Total capital assets	966, 803, 362. 77

Mr. SHERLEY. That is true; and if I may be permitted at this point, I worked out yesterday evening, after leaving the committee, some figures that perhaps will present this situation in another form that may make a clearer picture, and I will be glad to submit a statement embodying the figures I am now going to read. As this balance sheet is made up it shows that we owed the railroads, as of March 1, a total of $1,476,928,805.60; that was predicated upon a debt growing out of compensation, with interest adjustments, amounting to $1,091,534,012.06; upon an estimate of depreciation of $337,-000,064.96; on account of materials and supplies, $48,394,728.58, the depreciation item being set up there on the assumption that there would be neither overmaintenance due nor undermaintenance owed and that this would represent an asset of the roads in the amount stated. If, in point of fact, they should owe us for overmaintenance it would create a credit to the extent of such indebtedness that would serve to offset the credit stated here for depreciation. Now, it was estimated, in connection with the total I have stated, namely, $1,476,928,805.60, that we could use as an offset on what they owed us, $815,379,145.91; that would show an amount of cash that would have to be paid to the railroads of $661,549,659.69, and we would have, according to our estimate, after paying all of our bills, to everybody other than the railroads, $244,267,540.36, which could be applied on this indebtedness of $661,000,000 due to the railroads, leaving a net amount that we would need to clean up on the basis of this estimate of $417,282,119.33.

Now, on the other side of the ledger would be this situation: As of this time—and, of course, I am giving gross figures in each instance

that include interest, so that much of it offsets itself, and for that reason when the estimate was submitted a net smaller sum was shown, but I think it interesting to show it in a gross way—they would owe us $1,677,343,077. Against that indebtedness we would, as I just stated, apply $815,379,145, which would leave them owing us, after the offsets, $861,963,932, which latter sum, added to the $14,581,126 investment in waterways and the $90,258,305, which consists of the Liberty bonds, the superheater stock, and the investment in the miscellaneous properties I have heretofore enumerated, would make a total capital investment on the part of the Government of $966,803,363.

Now, Mr. Chairman, it might be well if I emphasized again how I arrived at the conclusions which I have stated. We assumed, taking the transportation act, with the requirement that it makes upon the Railroad Administration not to so offset indebtedness as to prevent the carriers from having moneys sufficient to pay their fixed charges, their dividends, and provide their working capital—as I say, with those requirements in mind, we assumed, with a conservative exercise of the discretion that the act gives, that it would be necessary to pay the railroads a total sum amounting to $661,449,659.69. Now, having arrived at that sum, the question then as to what could be deducted was determined by taking that sum from our total indebtedness to the railroad companies, which gave the amount of $815,379,145 that could be used in offsetting.

In arriving at that figure of $661,449,659.69, we took from the balance sheet which is in front of you the item of $498,481,202.40 and added to it the item which you will find down there under the head of "Payable subsequent to 90 days after March 1, 1920," as "road and equipment, depreciation and retirements," $114,673,728.71, and then added a further item that will be found donw there under the heading of "Materials and supplies" of $48,394,728.58. Perhaps it might be well to explain how the set-up came to separate those items. The reason why we have taken the $114,673,728.71 item of depreciation is because the first set of figures of the balance sheet which makes the net amount of $498,481,120.40 carries a depreciation and retirement item of $222,326,336.25. That does not represent all of the depreciation that is owed. There is also owed, on that basis, and not considering the question of maintenance, either undermaintenance or overmaintenance, an additional amount represented in this item of $114,675,728.71, the reason for the separation being that in arranging for the settlement of the indebtedness due on account of allocated equipment I had the roads to agree with me that any credit due them on account of depreciation I could apply on their other indebtedness. As I explained to you yesterday, some of the roads have contended that depreciation credits as set up on the books represented money due them that must be paid without any regard to any privilege of offsetting. I do not agree with that view at all, and when it came to dealing with the depreciation credits of the railroads who had allocated equipment I made as one of the conditions of their being permitted to pay for this equipment with equipment trusts, representing the total amount of the cost of the equipment, that they should concede absolutely the right to use any credit that existed on account of depreciation against

certain debts that they owed to us. As to the roads that had allocated equipment, there was depreciation set up on the books as a credit to them amounting to $222,326,336.25.

Now, in making up the balance sheet, that part of depreciation credit was separated from the balance, so that they appear in different places. What I have just done for the purpose of simplifying the presentation of the matter was to add them together, making a total depreciation credit, it all being on the present assumption that there would be no claims for overmaintenance or undermaintenance.

About that I want to say with distinct emphasis that this balance sheet must not be taken as a belief on the part of the Railroad Administration that there will not be claims for overmaintenance as against the railroads. We think that they will owe us considerable sums on that account, but, as that was a matter about which there would necessarily be dispute and controversy, we thought that the conservative way to set up this balance sheet was to count it neither for nor against us. On the other hand, as Mr. Hines testified yesterday, the railroads may claim considerable undermaintenance, in which event the indebtedness to them might be increased. Now, to the $222,326,336 of depreciation, I have, therefore, added the $114,000,000, which is the balance of the depreciation that is in its entirety set up on the books, and that will represent a tentative credit of $337,000,000.

RESTORATION OF MATERIALS AND SUPPLIES.

(See p. 156.)

Then, on top of that is added $48,000,000 on account of material and supplies. This statement should be made in explanation of that. We took over as of December 31, 1917, $532,528,864.11 worth of materials and supplies, and the ledger balance as of February 29, 1920, shows that we had on hand materials and supplies amounting to $569,338,753.79.

But, Mr. Chairman, under the contract we are required to turn back material and supplies in the quantities taken over, and to the extent that we have failed to do that, we must make good at the present prices. Now, the materials and supplies taken over by us as of December 31, 1917, would to-day be of the ledger value of $617,733,482.37. We have actually on account of the material and supplies which we turned back to them, as I have said, a value of $569,338,753.79. The difference between those two figures represents $48,394,728.58, which we must pay in order to fulfill our obligations for materials and supplies. In other words, Mr. Chairman, we have actually of materials and supplies as it stands on the books, a greater value than the materials and supplies which we took over as they stood on the books on December 31, 1917, but in volume we have less of materials and supplies, and the differences in volume at the changed price can only be made good by the payment of $48,394,728.58. In other words, there has been an increase in the value of the materials and supplies taken over January 1918, to the extent of $85,204,618.26.

Mr. BYRNES. How have you arrived at the valuation of those materials and supplies?

Mr. SHERLEY. That valuation is an estimate, of course, but it has been made by a computation based upon what it is costing to-day to purchase materials and supplies of that character.

Mr. BYRNES. Did you take the average increase in price?

Mr. SHERLEY. There was an effort made to ascertain what was the difference in price of the various classes of materials and supplies, and then that was averaged so as to produce, as I recall it, an estimate of 16 per cent increase.

Mr. BYRNES. Necessarily, there was a greater increase in some supplies than in others?

Mr. PARKER. It is fair to say that in working the thing out for the purpose of actually settling these matters in the amounts with the companies, the actual materials and supplies as of February 29, 1920, would be compared in detail with the same materials and supplies taken over—that is, article by article, and unit by unit, and then we shall have the actual price as of the end of Federal control which will be applied to the averages or shortages which will be developed by a comparison of the inventories, class by class, of December 31, 1917, and February 29, 1920.

Mr. BYRNES. Before making settlement, you would have an inventory?

Mr. SHERLEY. We are doing that now.

Mr. BYRNES. You will have an accurate inventory made of the materials and supplies before making the settlement?

Mr. SHERLEY. We are right now making that sort of inventory, and that is what I meant when I said awhile ago that this estimate was predicated upon pretty accurate information. I do not think it will vary much, but it is not possible for us to tell down to a penny how much we will have to pay in the settlement of our obligations for materials and supplies.

Perhaps, I have been taking up too much time in explaining the mechanics of how this balance sheet was arrived at. The important thing is this: We assumed that it was necessary to pay the railroads $661,000,000, in round figures. Of course, if we could get off by paying them a less amount, say $50,000,000 less, or any other sum less than that, that would correspondingly reduce the amount of money that we would have to have from Congress. Now, how did we arrive at the $661,000,000, as being the amount in cash that is required to pay them? We arrived at it in this way, by making a computation touching every railroad as to the moneys that it needed in order to meet its fixed charges, plus dividends, and have a working capital, and then by allowing a leeway there, as I have said, for the exercise of discretion in those cases where the roads need funds in order to go farward and meet their obligations, such as equipment obligations maturing, etc., and in determining the sum necessary for those purposes, we arrived at this figure of $661,000,000. Now, of course, that is an estimate.

The CHAIRMAN. In considering this statement, when you speak of the amount that the railroads owe us, you take the sum of $815,379,145.91 as the total amount to apply as an offset in the settlement of our debt to them.

Mr. SHERLEY. Yes, sir. The capital assets which represent the indebtedness of the railroads consist of the following: Allocated equipment, to be funded, $367,806,968.19; road and equipment

expenditures, not offset in settlements, $270,079,574.99; open accounts and demand notes, not offset in settlements, $144,422,526.21; long-term notes of corporations, $44,433,664; investments in stocks, bonds, and receiver's certificates, $35,221,199.44; making a total amount of $861,963,932. That makes the total amount of indebtedness due us of $1,677,343,077. In other words, if you will look at this statement you will find that it states that there will be an indebtedness of the railroads to us of $861,963,932. Now, if to that is added the offset that we make of $815,379,145.91, you get the gross amount that they owe us before offsetting.

PAYMENT TO "SHORT-LINE" RAILROADS.

The CHAIRMAN. In arriving at the balance due on compensation, have you taken into consideration the provisions of the transportation act with regard to the short lines?

Mr. SHERLEY. No, sir; because the indebtedness of the short lines is not an indebtedness that we are not liable to pay, as the transportation act provides that any indebtedness due to the short lines shall be paid by the Secretary of the Treasury, and an indefinite appropriation is made for whatever sum may develop.

The CHAIRMAN. In considering that matter, have you arrived at any conclusion as to the amount that it will be necessary to pay by reason of the legislation taking over the roads?

Mr. SHERLEY. When the legislation was pending in conference, as I recall it, a similar question was asked of me informally, and we made some estimates. I am not sure but that we made them for the conferees later. As I recall it, they were something like $25,000,000.

The CHAIRMAN. Mr. Sherley, have you entered into contracts with regard to compensation with all the roads taken over?

Mr. SHERLEY. We have not entirely, sir, but we have entered into contracts with a very considerable number, and I will be pleased to file an exhibit purporting to show the number of contracts made, the roads with which made, and the compensation fixed in such contracts. This totals 165 contracts with a total annual compensation of $812,428,607.05. Then there were two contracts which carried a lump sum as contradistinguished from the standard contract which provided for compensation and then interest in the way of rental on additions and betterments put into service since the 1st of January, 1918. These two contracts with lump sums amount to $129,734.80. There remains only a very limited number of roads with whom we have not made contracts, and I will be pleased to place in the record a list of such roads; also, Mr. Chairman, I will place in the record a list of short-line contracts which we describe as cooperative contracts, whereby arrangements were made touching the division of freight between these short lines and the roads that were under Federal control. (See Exhibit E, p. 231.)

CLAIMS FOR EXTRA COMPENSATION.

The CHAIRMAN. Mr. Sherley, not having entered into contracts with all the roads with regard to compensation, how do you arrive at the amount which it will be necessary to pay as compensation?

Mr. SHERLEY. Mr. Chairman, as to every road that we had not a contract with, we assume that the standard return that the roads received during the three-year test period would be the sum that we would have to pay, and, as you will recall, the standard return has been the amount fixed in the great majority of the cases. As I recall it now, the compensation to the Pullman Palace Car Co. was the only compensation fixed at a sum less than the standard return. Most of the others were fixed at the standard return, and some were given additional compensation. I think the showing of the contracts made indicates that the Railway Administration has allowed as additional compensation over the standard return sums only where the facts clearly justify it, and that the power which the act gave to grant additional compensation, where conditions were such growing out of receiverships or other unusual causes as to warrant it, has been very conservatively exercised. I will file a statement of the claims for extra compensation which have been allowed by the Railway Administration and which have been denied by the Railway Administration, the claims which have been withdrawn, the claims pending before boards of referee, and the claims decided by boards of referee with the amount in each instance. The claims allowed, Mr. Chairman, total a sum of $7,771,461.85. The claims denied total $40,282,923.05. Claims made and subsequently withdrawn by carriers total $2,199,389.59, and claims pending before the boards of referee amount to a total of $4,710,413.

In the Midland Valley case, an award was made of $321,333.05 in excess of the standard return and in the Chicago & Eastern Illinois case there was allowed $1,503,999.12. (For statement of claims see Exhibit F, p. 239.)

The CHAIRMAN. Mr. Sherley, after the roads were taken over by the Government there were some complaints by some of the roads not taken over and promises were made with regard to favorable routing over such roads so as to permit them to live. Were those promises ever put in the form of contracts?

Mr. SHERLEY. They were the roads, Mr. Chairman, that in many instances were dealt with under what I spoke of a moment ago as cooperative contracts, by which they were given a certain percentage of the traffic that the roads handle and efforts were repeatedly made, where roads seemed to be in difficulty in making a living, to give them, within such bounds as properly could be, traffic that would enable them to meet their fixed charges and other indebtednesses. The question of the short line roads has, of course, been dealt with, I take it, finally, by the action of the Congress in the transportation act whereby it is provided, in substance, that the Government must pay to such deficit roads a certain portion of the deficit incurred during the period of Federal control.

The CHAIRMAN. What I was driving at was whether or not any of those cooperative contracts have resulted in money payments against the Railroad Administration.

Mr. SHERLEY. Mr. Thelen can probably answer that, as he has charge of the division of liquidation of claims.

Mr. THELEN. There are a few claims of that character, Mr. Chairman, which are now pending before the commission, but in most cases the diversions that were made were made good during the period of Federal control, but there are a few such claims now pending.

The CHAIRMAN. But not enough in money to make any appreciable difference in your estimates here.

Mr. THELEN. That is correct.

Mr. SHERLEY. I should take it, Mr. Chairman, there would be very little object in those claims, as a rule, in view of the fact that the Congress has legislated the owners of these short lines a payment on account of any deficit that occurred and if they got moneys from us it would simply reduce the deficit; but where there was no deficit and the road had made a profit and therefore did not come under the provisions of the act, it is conceivable that some claims might be asserted, but we have not considered them in this balance sheet nor do we feel that there is any ground for claims in an amount that we need consider in dealing with figures as large in the aggregate as these.

SUMS DUE RAILROADS FOR DEPRECIATION.

The CHAIRMAN. Mr. Sherley, with regard to the $337,000,000, in round numbers, which is due the railroads for depreciation, is there any question raised by the railroad companies with regard to the justness of the expenditure of money for maintenance during the period for which the depreciation was charged?

Mr. SHERLEY. Mr. Chairman, the whole question of depreciation is one that is very intimately and intricately interwoven with the question of maintenance. Depreciation is set up on the books of the railroads in order to take care of that invisible deterioration which is supposed to take place in property over a period of time and which is not taken care of by virtue of ordinary maintenance, and therefore in order to deal with the deterioration that thus occurs and the obsolescence of property, there is set up a credit known as a depreciation credit. Manifestly, however, if in place of the ordinary maintenance that a road made during the test period there should be overmaintenance, to the extent that there was such overmaintenance, it would seem logical to have it carry an absorption of the depreciation that otherwise would exist as a credit. In other words, suppose that property owned by a railroad had $1,000,000 worth of maintenance a year as the average of the three-year test period and it had a depreciation credit set up on such property of $500,000, and during Federal control there should be expended on such property $1,400,000 of maintenance. It is my thought, and I speak only for myself, that that overexpenditure of maintenance would be a proper offset against the depreciation credit that would be set up, and would thereby reduce that depreciation credit in the case cited to $100,000 in place of $500,000.

The CHAIRMAN. What is there to the claim of the railroad companies that is sometimes seen in some of the papers that the money has not been wisely spent in that the labor performing the work has not been efficient?

Mr. SHERLEY. Mr. Chairman, there is just the same thing in it that always exists between a landlord and tenant that do not agree. I do not suppose there was ever a man who rented a house and turned it back to the landlord without the landlord saying that he got it back in worse shape than it was taken over and without the tenant being perfectly conscious that he had expended a great deal of money in the maintenance of it that he ought not to have been required to

expend. Now, the situation grows out of the fact that the contract provides that we may show a compliance with the requirement touching upkeep of the property or maintenance by either the facts as to the condition of the property or by proof of a money expenditure, and in order to meet the figures of money expenditure some of the roads are undertaking to say that that money expenditure was not efficient, and that therefore in an equation of values as of expenditure during the test period and now there must be taken into consideration the inefficiency of labor. The Railroad Administration does not believe that there is any warrant for the claims such as you have indicated are being made, not yet formally, but informally, by some railroads.

INTEREST ACCOUNT.

The CHAIRMAN. Mr. Sherley, in your statement I observe that on one side you have as current assets interest on open account, $20,667,-335.51, and on the other side interest due companies on deferred installments of compensation, $98,237,255.82, and interest due companies on open account, $6,308,330. 56. Will you explain what is the practice with regard to the charging of interest?

Mr. SHERLEY. Yes, Mr. Chairman. This account has been set up on the basis of interest computations from the beginning. The contract provides for the statement of all accounts quarterly, and interest on compensation is paid at the rate of 5 per cent and accrues quarterly; interest on open account is 6 per cent in each instance, whether due by the railroads to us or by us to the railroads; interest on moneys we have advanced is charged for at 6 per cent, and to the extent that we have advanced moneys and are charging interest correspondingly on sums which we owe we allow interest at 6 per cent, but if there is net interest due to the railroads on compensation then they get it at 5 per cent. That, briefly, Mr. Chairman, is the interest situation. There is in this matter a question of rental which is spoken of in the contract in interest terms and is therefore misleading. The contract provides that the railroads shall be entitled on account of additions and betterments made to the properties since January 1, 1918, additional compensation as interest; that interest has been fixed by the Director General at 6 per cent on additions and betterments in the nature of equipment; at 6 per cent where the moneys were advanced by us on which we charge 6 per cent, but where moneys were available, belonging to the railroads for the making of these additions and betterments, then they are allowed interest rental on the basis of 4 per cent, and those computations, which become quite intricate in working them out with individual roads have all been figured in in making the interest items which you see here, both as credits and as debits.

The CHAIRMAN. From that statement it would appear that you have in your current assets received or will receive all told as interest approximately $85,778,000 and have paid out or obligated yourselves to the extent of about $108,000,000?

Mr. SHERLEY. That is true, and yet, Mr. Chairman, a part of that interest is, as I tried to explain, not interest in the true sense as being interest on a debt due, but is rental figured in terms of interest. But all of that serves to emphasize, in my judgment, the desirability of the Government, assuming that it has the cash available, paying its debts and stopping the interest that runs against it. It will, of

course, be getting interest at 6 per cent on all of the capital assets which this statement shows.

The CHAIRMAN. Take a railroad company which, under the Federal control act, would be entitled, we will say, to annual compensation amounting to $10,000,000. The Railroad Administration is ready and willing to pay that amount to the railroad company, but the railroad company holds out for a larger compensation and the matter is allowed to stand in that way. Is the Government compelled to pay interest on the amount that it has tendered?

Mr. SHERLEY. If there has been no contract made then I take it the rights of the parties would be thrown back to the provisions of the Federal control act, which provides that the Government may pay up to 90 per cent, and the new transportation act, which says that it must pay to the extent that is necessary to meet fixed charges of the roads up to 100 per cent of the standard return. I take it that no interest would necessarily run as against the Government in cases where there had been no agreement made as to compensation due.

RESTORATION OF MATERIALS AND SUPPLIES.

(See p. 150.)

The CHAIRMAN. Coming to the item estimated at $48,394,728.58, as the amount required to replace materials and supplies taken over, what is the construction of the contract in that respect? Suppose a railroad company had 10,000 ties of an estimated value. When you turn the roads back must you turn back 10,000 ties or the value of 10,000 ties?

Mr. SHERLEY. The contract provides that we must turn back substantially in kind or that we may settle the difference in cash at present prices. The contract provides, to speak accurately, as follows:

> At the end of Federal control all the property described in paragraph A of section 2 hereof shall be returned to the companies, together with all repairs, renewals, additions, betterments, replacements, and road extensions thereto which have been made during Federal control, except as any part thereof may have been destroyed or retired and not replaced, in which case the provisions of section 5 hereof shall govern and except that the director general shall not be obliged to restore or replace property destroyed or damaged by the acts of public enemies.

And then the provision provides, as to materials and supplies, as follows:

> At the end of Federal control the director general shall return to the companies all uncollected accounts received by him from them and also materials and supplies equal in quantity, quality, and relative usefulness to that of the materials and supplies which he received, and to the extent that the director general does not return said materials and supplies he shall account for the same at prices prevailing at the end of Federal control. To the extent that the companies receive materials and supplies in excess of those delivered by them to the director general they shall account for the same at the prices prevailing at the end of Federal control and the balance shall be adjusted in cash.

Now, we have assumed—and I do not think there will be any serious controversy about it—that where there was substantially the same variety of materials and supplies turned back as were taken over, even though there was a shortage, that the settlement need only be made in terms of money and that we could strike a credit and debit according to the values of the property received and turned over.

The CHAIRMAN. To what extent is this estimated amount necessary by reason of a shortage of property in kind, and to what extent is it made necessary by reason of the increase in costs?

Mr. SHERLEY. The figure that you quote—$85,000,000—is supposed to represent the difference between the value of the property when we took it over, as of December 31, 1917, and the value that that property would have if it existed February 29, 1920? Now, the property which we do have amounts to $569,338,753, and it is that sum, taken away from the total of the other two sums, which produces the $48,394,728.58, which we think it is necessary for us to pay in cash in order to liquidate our obligations.

The CHAIRMAN. Is not that, after all, the difference in the value of the property which you turn back and the property which you received?

Mr. SHERLEY. Yes, sir; that is, valued as of this time.

The CHAIRMAN. I was wondering whether or not you were turning back as much property in kind and whether this amount grew out of an increase in the value of the property?

Mr. SHERLEY. No, sir; because if we were turning back as much property in kind we probably also would have a book value in excess of the book value of the property which we took over.

The CHAIRMAN. And the railroad companies would be owing you?

Mr. SHERLEY. If it was the same quantity of property, treating the matter as a whole, there would be nothing owed; as to some railroads they will owe us, and as to other railroads we will owe them; this represents a debit, throwing the whole into the account.

INSURANCE PAID AS CASUALTY RESERVES.

The CHAIRMAN. Mr. Sherley, there are some of these items found on the credit side of this balance sheet that, perhaps, should be explained. For example, you have a small item of $662,419.71 under the heading "insurance paid casualty reserves." What does that mean?

Mr. SHERLEY. I shall, with your permission, ask the comptroller to explain those items, because I think he can do it more accurately than I can. It might be well in passing, however, to say that from what he tells me it is my understanding that the headings used both on the debit and credit sides of the balance sheet are those that are established under the rules of the Interstate Commerce Commission, and the use of them is in strict conformity with the rules that it has prescribed. With that general explanation, I will ask Mr. Parker to explain in detail any one of those items you wish.

Mr. PARKER. Mr. Chairman, I think it will, perhaps, be helpful to explain in a general way how this balance sheet is constructed in order to avoid giving the impression that the Railroad Administration here has undertaken to single out certain elements of assets and liabilities and to tabulate them in some form so as to show its standing. The railroads when taken over were, of course, keeping their accounts in accordance with the Interstate Commerce Commission's classifications, and they have continued throughout Federal control to keep the accounts relating to the operation of the roads in the same manner and under the same classifications. The Federal adminis-

tration as the controlling agency on behalf of the Government has simply undertaken to bring into its books a summary of the affairs relating to the railroad operations as they appear on the books of the individual railroads: but, as I have said, the Interstate Commerce Commission's classifications governed the railroads in their accounting, so that the items as they appear on the railroads' books and as reported to the central administration give certain elements of assets and of liabilities as prescribed by those classifications.

When we get the reports of all the individual railroads assembled, this balance sheet, practically speaking, is produced, so that it reflects the actual condition as it appears in the aggregate on the individual railroads, and does not represent simply our estimates or any compilation that we have made here from initial data. It is true that the balance sheet is not completely representative of the situation as of February 29, 1920, because the figures that we have from the railroads completely are as of December 31, 1919, and we have added to them our estimates for January and February, in order to produce the situation substantially as it was on February 29 and as it will appear on the books when it is possible to state the amounts in full as of that date. So it is estimated on account of the period January and February, 1920, although probably there will not be large changes in the individual accounts.

The particular item about which you ask, "Insurance paid casualty reserves," I will explain in this way: The railroads are authorized to set up in their accounts estimates of liabilities incurred in case where the actual liabilities have not been determined, so as to get into the income account at the time that the thing happened the money that represents the thing itself. In other words, let us say that in a given month an accident happens: There may be months or even years elapse before the actual expenses of that event are closed. The railroad is authorized to charge into operating expenses for the month in which it happened the cost of the damage done, and, of course, the amount charged to expenses must be represented in a per contra liability account and so it carries it as an estimated liability pending the determination of the actual amount of liability, which, when determined, is of course cleared through the account to which the credit was originally made on an estimated basis.

The CHAIRMAN. You estimate that you will have to have paid on account of such accidents the amount carried here?

Mr. PARKER. Yes, sir; I think there is no question about it. Not all of the railroads set up such reserves. The rules of the commission allow considerable latitude to the railroads as to just what amount they shall set up, and some of them are more disposed to set up reserves based on their experience in those matters whereas others are more disposed to await the taking into their accounts the costs when actually determined.

JUDGMENTS, DECREES, ETC.

The CHAIRMAN. Are any of the claims that would be compensated out of this fund provided for under the transportation act, wherein the Secretary of the Treasury is authorized to pay them on the certificate of the Interstate Commerce Commission?

Mr. PARKER. We have not made any separate estimate in making this showing of the amounts of the judgments, etc., that would be paid from the revolving fund under the transportation act.

The CHAIRMAN. This is in addition?

Mr. PARKER. I am not sure that this may be said to comprehend the judgments, decrees, and awards. It is assumed that this estimate covers all of the obligations and liabilities growing out of Federal control. Included, of course, among the liabilities are some matters which will be settled only by litigation, and out of that litigation there will result awards, decrees, etc., that are payable from the revolving fund created by the transportation act.

The CHAIRMAN. If provision is made for the payment of this insurance under the transportation act out of another indefinite appropriation, then it ought not to be carried here. If provision is made for the payment of liabilities out of the $300,000,000 appropriation carried in the transportation act, then this item should not be carried here as an estimated requirement.

Mr. PARKER. Of course, we have no means of distinguishing the things which will run into judgments from those things that will be settled outside. As a practical matter, I take it that the amount of judgments, decrees, and awards will not be large, but that a great majority of our claims will be settled by the ordinary processes.

Mr. SHERLEY. There is another element, if I may be permitted to make the suggestion: This is set up on the basis of representing what those liabilities may be, but the liabilities are so contingent that it is quite possible that this may be an overconservative estimate. I will give you one illustration as bearing on this point: There were some very large fires out in the Northwest which entailed claims that are running into very large figures. The Railroad Administration is not at all convinced that it is liable for the damages set up in those claims, but it is conceivably possible that they, or some part of them, may be established. They represent such unusual losses that they would, perhaps, if allowed in anything like their entirety, represent a liability in excess of the reserves that are set up here. There is some play, as you properly brought out, by virtue of this act which provides for decrees, judgments, and awards, but you will notice that the language of the act applies only when there is a decree, judgment, or award since March 1. In other words, if any of these claims are settled without going to judgment or to formal decree or formal award, we must pay for them, and it is only when they are litigated to final judgment that they are paid out of that $300,000,000 fund.

The CHAIRMAN. My recollection is that Mr. Hines estimated that it would take $10,000,000 of the $300,000,000 to discharge such claims for reparations, awards, and things of that sort.

Mr. SHERLEY. I made an estimate larger than that. We have asked for $10,000,000 from the Treasury at this time, so that as they are made, we may pay them promptly. The Interstate Commerce Commission asked me for an estimate as to the probable amount of money that they should reserve out of this $300,000,000 to meet those obligations, and I made a rough estimate, based on some figures that had been furnished by Mr. Underwood's division, as I recall, of thirty or forty million dollars. However, I think we are all in the dark; we are groping because nobody can quite tell how much will be litigated or how much will be settled.

Mr. PARKER. I think there is this to be said in connection with that, that if any of us were to try to make a reasonable estimate of the reserves that we ought to have to clear up the Railroad Administration's liabilities based on such general or special studies as could be assembled here, instead of taking the results as they appear by assembling the figures as they have been arranged and compiled by the offices of individual railroads, based on the data which, of necessity, must be available to them in much greater detail than we could emply, and each in the exercise of his own judgment, we would adopt figures very much larger than the results produced by this statement.

OPERATING RESERVE.

The CHAIRMAN. You have another item of $8,554,176.62 under the head of "operating reserves." What does that mean?

Mr. PARKER. That grows out of a practice sanctioned by the Interstate Commerce Commission to allow carriers to charge into their operations estimated amounts in respect of maintenance of way and maintenance of equipment, where the expenses have not actually been incurred, and to credit the amounts so charged to a reserve account. I might perhaps explain it in this way: Most of the railroads, I think, or at least most of the larger ones make a great many of their charges to their operating expenses on an estimated basis monthly as they go along, and then adjust it with the actual expenses later.

For example, let us say that a railroad makes up its tie program on a basis of $1,000,000 for the year and divides that up into 12 equal parts. The railroad in January charges one-twelfth of its tie program to operating expenses, or one-twelfth of the $1,000,000, and also credits the operating reserve with one-twelfth of the amount. That railroad may not actually spend a cent on its tie program in that month. Again in February it charges one-twelfth of its tie program to operating expenses and credits its operating reserve with one-twelfth, the result being that in those two months two-twelfths of the tie program are charged to operating expenses and two-twelfths are credited to operating reserve. That process may go on until, perhaps, in June or July, when it actually spends a third, one-fourth, or perhaps one-half of the year's program in one month, and then at that time the actual expenditure is charged against the operating reserve. The balance in the operating reserve account represents the amount that has been charged to operating expenses but has not been met by actual expenditures.

The CHAIRMAN. But in the adjustment of your account for maintenance of way or equipment that matter will be absorbed?

Mr. PARKER. Yes, sir.

The CHAIRMAN. It is taken into consideration in arriving at your total for maintenance?

Mr. PARKER. Yes, sir; it is included in our total. Theoretically the money has been spent, and this is practically no more than clearing up the bookkeeping entries.

OTHER ADJUSTED CREDITS.

The CHAIRMAN. Then you have an item of $110,899,635.14 under the head of "Other unadjusted credits."

Mr. PARKER. The other unadjusted credits are practically liabilities that have been incurred and have not been distributed appropriately in the accounts.

The CHAIRMAN. Is much of that an estimate, or is the amount arrived at by known credits?

Mr. PARKER. It is practically all made up of known items, but they have not been worked through the accounts into a shape where they can be classified among the current liabilities. This is substantially of the same character as other current liabilities, but it has not been put in shape where it can be actually translated in the form of vouchers for payments. You will find on the other side an item of $89,207,208.40 under the head of "Other unadjusted debits," as against this item of $110,899,635.14 of other unadjusted credits. The railroads, for example, pay loss and damage claims. Where the loss is pretty clearly shown the railroads pay the claim immediately, without waiting to fix the responsibility upon the particular road that ought to pay it. At the time of payment, they charge up that amount so paid as an unadjusted debit. It is not clear at the time it is paid what road it is chargeable to, and so they charge it to other unadjusted debits. Then they go ahead and investigate the item and determine who should pay it. A part of these items will be cleared by rebilling other companies, and part of them will be written out by clearing them through other accounts. Similarly, amounts are rechargeable against other companies, as, for example, the division of joint expenses, etc., which have been taken into account on an estimated basis, and the bills can not, of course, be made until the actual charges are known, which in most cases will, however, practically match the estimates. When the actual charges are known, the bills will be made and credited, thereby clearing the items from the unadjusted amounts. The opposite is true of the unadjusted credits. The roads which are debtor roads anticipate by estimate the bills which they will receive for their share of joint expenses, etc., and when the bills are received they are cleared through these amounts which have been credited at the time on an estimated basis.

The CHAIRMAN. As a matter of fact, on February 29 you had something over $217,000,000 of those unadjusted credits that had not been analyzed and distributed, taking the total of the "within 60 days" accounts and the total of the "within 90 days" accounts together?

Mr. PARKER. Yes, sir. I was speaking of the $10,000,000 of other unadjusted credits in the one group of amounts.

RESERVE FOR LAP-OVER ITEMS.

The CHAIRMAN. What is included in this item of $120,141,871.95 under the head of "reserve for lap-over items"?

Mr. PARKER. There is included in that item the amount of lap-over revenues and expenses which lapped over from the period prior to Federal control to the Federal control period. Under the rules of the Interstate Commerce Commission the carriers take into

their accounts their bills and items on an accrual basis, and at the end of a given month, when they close their accounts, there are of necessity a great many items that either the bills have not been received for, and, consequently, can not be included in the accounts, or they have been put in the accounts on an estimated basis only, and, consequently, they are subject to adjustment; but the carriers, of necessity, go forward and close their accounts, leaving these items that I speak of to be taken up in a subsequent month. I think that is a thing that normally happens in the case of an individual and in the case of any business—that is, there are items that come along to be accounted for at a later period. Under the rules of the Interstate Commerce Commission the items are chargeable or creditable to income accounts for the period in which they fall, unless the carrier shall have a credit reserve to take care of them, in which event it would be charged to the reserve.

The ordinary small items that come forward for payment after the end of the year, but which are related to the year ended and for which no reserve has been created, are nevertheless, charged to the income account of the succeeding year. The commission has come to describe such items as lap-over items—that is, revenues accrued or expenses actually incurred in a given year, but not actually taken into account until the subsequent year. Of course, when Federal control intervened a different situation existed as to these items, because of the necessity of distinguishing between the things that the Government ought to assume and the things that the corporation ought to assume; and, therefore, it was necessary to charge the corporations with the lap-over operating expenses which we paid for them during 1918 and 1919, and to credit them with the lap-over revenues that we collected for them. The situation was about as follows: The Railroad Administration became the operator of the railroads and hence the results of operation—revenues and expenses—were included in the Railroad Administration's statement of income. The railroad corporations for the time being had no income statement with reference to railroad operations. In order, therefore, that there might be a continuity of the railroad operating accounts the lap-over revenues and expenses of the year 1917 and prior were included in the revenues and expenses of the Railroad Administration. The total of such lap-overs resulted in a net charge against the operations of the Railroad Administration and this amount is included in the net loss of $900,000,000.

Of course, however, strictly the amount in question was a charge against the corporations because it related to the operations of the years prior to Federal control. It was, therefore, necessary, in order that there might be a clear-cut accounting between the corporations and the Government, to analyze the railroad operations and list the items which compose the above amount of $120,000,000 and entries were then made charging the corporations with that amount by credit to a reserve account, which is the reserve account we are discussing.

It will be seen, however, that these entries did not disturb the operating account which had already been charged the amount of the lap-over revenues and expenses net, but nevertheless set up appropriately an account against the corporations on account thereof

which, as stated, was recognized on the liability side of the balance sheet by this reserve account.

The net result of charging the corporations with the lap-over operating expenses and crediting them with the lap-over revenues was a net debit against the corporations of $120,141,871. That item, incidentally, is included in the open account which we have charged against the corporations, as indicated in the first group account on the balance sheet.

We have assumed, broadly speaking, that the amount that was sufficient to take care of the lap-over revenues and the lap-over expenses, net, of the corporations as of December 31, 1917, should be sufficient to take care of the lap-over revenues and the lap-over expenses, net, of the Government growing out of Federal operation, and the revenues and expenses that lap-over from the operations of the 26-months period of Federal control we have not included in our account, but on the other hand we have included the revenues and expenses which lapped over from the period prior to Federal control, which we think will substantially amount to the same thing. In a sense, there is no connection between lap-over revenues and expenses of the corporations and our reserves, except that just incidentially we have assumed that amount as being a fairly safe guide.

Mr. SHERLEY. Right in that connection, in view of the fact that there has been a constant increase in the value of everything as expressed in money, and that the volume of business has increased, would it not follow that this lap-over reserve to take care of our expenses in excess of our lap-over receipts would be a more conservative estimate than it would have been for the railroads two years and six months ago?

Mr. PARKER. That is true; and that is what I had in mind when I suggested a while ago that if we were to sit around this table here and try to build up an estimate based on such facts as we could get together, or make an initial estimate of the reserves we ought to have, we would not conclude it safe to rely except upon a reserve very much larger than that produced by the figures assembled from the various individual railroads.

LOSS TO GOVERNMENT IN OPERATION OF RAILROADS.

The CHAIRMAN. Mr. Sherley, this balance sheet shows that with this settlement you will make you will hold a great amount of railroad obligations.

Mr. SHERLEY. Yes, sir.

The CHAIRMAN. To what extent do you anticipate there will be losses with regard to the final working out of that program?

Mr. SHERLEY. Mr. Chairman, any answer to that question necessarily is speculative. I should say that it follows, as a matter of course, that an indebtedness that will amount to eight hundred and sixty-odd million dollars of the railroads to the Government will have in it some indebtedness which will prove to be a loss. My own judgment is that we ought to be able, as to the overwhelming majority of that indebtedness, so to secure it as to make a loss extremely remote. I think this is true, at every step in the consideration of this railroad situation, that we must assume that Congress has properly provided in its new legislation for a rate-making rule which will enable the

railroads to go forward and pay their way as they go, and that the Interstate Commerce Commission, in the application of that rule, will so apply it as to bring about that result. If those assumptions, which I take it are necessary assumptions until disproven by a fact, should prove to be actually true, then the loss involved in these indebtednesses of railroads to the Government should be negligible; but I can imagine some few roads whose indebtedness to the Government is not of such a character that if I were a private banker I would want to have it or would consider it a particularly desirable risk.

The CHAIRMAN. That is one reason we have so much of it.

Mr. SHERLEY. In a measure that is true, although this is also true, Mr. Chairman, that there are a lot of roads that will owe the Government very considerable sums of money whose credit in the sense of ultimate ability to pay is of the best character and yet did not have the money or were unable to do the financing at the time that expenditures had to be made, so that they are very greatly in our debt. Take two very large systems, the New York Central and the Pennsylvania will both owe the Government very considerable sums of money. They already have funded considerable sums in the way of these equipment trusts, yet I think those indebtednesses are of the very best character and they will be so secured that I can not imagine conditions under which they would not be paid.

The CHAIRMAN. What I had in mind was that some of these loans to weaker roads were made on the theory that there might be some loss, and likely would be some loss, but that it was better to sustain a loss than to have railroads commence to tumble into receiverships at a time when we were at war.

Mr. SHERLEY. I think, in a broad sense, that is true, Mr. Chairman. The railroads differ from other activities in America, in that they were absolutely essential to the Government and to the country, and therefore we had to see that they went on, even if it involved making a loan to a company of doubtful credit.

The CHAIRMAN. Now, Mr. Sherley, you would not say that the $900,478,756 that you carry as profit and loss is the sum total of all the losses we will sustain incident to the Government's operation and control of the railroads?

Mr. SHERLEY. Well, I should say that that ought to represent all of the loss incident to operation as such, using the word "operation" in a technical sense, but I think it is true that as a result of having to make loans to the roads, there will be some losses in addition to that amount; but, Mr. Chairman, I think it is only proper to say that even if we had not taken over the railroads, the Government probably would have been forced to have made loans, perhaps, in even greater amounts, because those roads then would have stood alone, and we got a certain strength by linking the roads all together and using them through a central agency. That really was the justification, in many ways, for taking over the properties.

The CHAIRMAN. I was not speaking of that in the sense of criticism of the plan, but because it seemed to me at the time that it was the desirable thing to do.

Mr. SHERLEY. I understand that.

The CHAIRMAN. But already the newspapers carry in their headlines that the cost of operation of the railroads to the Government is

$900,000,000. You have already brought to the attention of the committee the fact that the transportation act carries an appropriation of $300,000,000, out of which you have estimated, or the law department of the Railroad Administration has estimated, there will be required some thirty or forty million dollars to pay the claims that were created during Federal control, which, of course, would be added to the $900,000,000, and for which you would have been compelled, some time or another, to make an estimate if the $300,000,000 or some sum had not been provided for in the transportation act.

Mr. SHERLEY. That is true, Mr. Chairman, if we do not upon final settlement find that our own reserves are that much in excess of what is needed. In other words, if we have to use all of the reserves that are set up on this balance sheet in payment of losses, and in addition to that $30,000,000 has to be used out of the $300,000,000, then the loss from operation would be the $900,000,000 plus that $30,000,000 or such part of it as might be expended.

The CHAIRMAN. Then, as I recall also, the estimate you have given, with regard to payments which we will be required to make to the short-line railroads under the transportation act, because of claims growing out of either Federal control of the roads or in the operation of the roads, certain roads that were not taken in were discriminated against, is that that will be $25,000,000 more.

Mr. SHERLEY. Mr. Chairman, there is $25,000,000 to be charged against the Government, but I do not think it ought to be charged even by association of thought to the Railway Administration, because the Railway Administration at all times, then and now, have insisted that there was no justification for the payment of deficits incurred by the short-line railroads; that we did not take them over; that they did not suffer by virtue of the Government taking over the other roads, and that the loss that they bore was simply the kind of loss that was borne by a great many other concerns in America without the Government assuming it.

The CHAIRMAN. But, Mr. Sherley, as soon as the Government took over the railroads the Director General sent out a notice to every railroad company, whether it was a short line railroad or a class 1 railroad, advising them that they were under Federal control and advising them of the wages they should pay. Now, the mere fact that we did undertake to operate all the roads in this way and that the Director General sent out that kind of a notice to railroads that were not taken in under Federal control, but which did increase their wages as requested when they were told they were under Federal control, gave some color of claim for this $25,000,000.

Mr. SHERLEY. Of course, Congress must have felt so or it would not have passed the legislation it did. I did not mean to open up a discussion of the merits of the short-line contention at all, but simply that the Railway Administration endeavored, as you will recall, to leave the short lines to their own management and endeavored further to help them, after so leaving them, by making proper traffic arrangements, and we have felt that a lot of short-line deficits were inherent in the character of the road itself.

Mr. BYRNES. But did the Director General send out a notice to the short-line railroads which were not being operated by the Railroad Administration advising them of the wages they should pay employees.

Mr. SHERLEY. I, of course, was not a part of the Railway Administration at that time, and so I speak from a loose memory, but my impression is that whatever notice went out went out simply to railroads generally, and that the short lines, who constantly insisted that they were taken under Federal control, may have construed it as applying to themselves.

Mr. BYRNES. But the Director General advised those roads that were taken over, and I can not understand what right he would have to send such notice to those roads or what right they would have to believe they were bound by any policy of the Railroad Administration which had not taken control of them.

Mr. CLAGETT. I believe I can explain that. Early in Federal control Mr. McAdoo did give the general word that wages that would be paid later would be made retroactive, and then in General Order No. 27, which was issued along in the spring, and did make that increase effective, there were listed the railroads, and that did not include these short line railroads.

Mr. SHERLEY. But the short lines contended, as I recall, that they were embraced within the terms of the act, and that therefore they were under Federal control, and that they were complying with what they conceived to be the wishes of the Railroad Administration, and this was to their hurt.

Mr. BYRNES. But that was their own construction and not any construction of the Railroad Administration.

The CHAIRMAN. That construction was also based on the fact that they had already received notice that they were taken over by the Railroad Administration, and that notice, as I think Mr. Sherley has said, went out to every railroad in the United States, whether it was a short line or a class 1 road.

Mr. CLAGETT. But General Order No. 27 did specifically list the railroads and did not include the short lines.

The CHAIRMAN. I am speaking of the order before that, the order that went out approximately on the 1st day of January, 1918.

Mr. Sherley, have you made any estimate as to the amount that it will be necessary to pay the railroads on their guaranty for the first six months under private control provided for in the transportation act.

Mr. SHERLEY. Mr. Chairman, I have not. I think the Director General can propably give you some information on that point. It will depend somewhat on not only the volume of business that may exist during the six months beginning with March 1, but also on whether any change in the rate structure shall take place prior to the end of it. Roughly speaking, I should think it would be somewhere around $200,000,000.

The CHAIRMAN. Is that in addition to the express companies?

Mr. SHERLEY. I was thinking of it together. I do not think the express companies would materially change it.

The CHAIRMAN. Mr. Sherley, the transportation act carries $300,000,000 as a revolving fund, with broad powers to the Interstate Commerce Commission to make loans and advances to the railroad companies. You are going to hold, when you have settled with them, approximately $861,000,000 of railroad securities.

Mr. SHERLEY. Yes, sir.

The CHAIRMAN. Assuming that the Interstate Commerce Commission shall make this investment, in round numbers you will have approximately $1,161,000,000 of railroad securities, when the value of all the railroads, as stated by Mr. Hines, is somewhere between fifteen and twenty billion dollars. Is not that an indication that we are sort of headed toward Government ownership of the railroads, and have we not already taken a pretty long step in acquiring railroad securities and railroad properties?

Mr. SHERLEY. Mr. Chairman, it is certainly an indication that the Government has a very large financial investment in the railroads of America. Personally, I hope that it does not mean that we have taken a long step toward Government ownership because I think that Government ownership should be a thing to be undertaken only as a last resort. My judgment is that if there is worked out under the new transportation act a proper grouping and a proper system of rates for the railroads of America their credit ought, and will be, reestablished sufficiently to enable them to pay within the next few years the major portion of that debt. One of two things is inherent in this situation. Either the Government through the rate-making power is going to enable the roads upon a legitimate capitalization and cost to earn enough to live as private enterprises or the Government is going to be forced, itself, to take the railroads and run them, because the people of America will continue to insist on being served with a proper transportation system, and apparently there will be required for a good many years to come an expenditure of anywhere from $500,000,000 to $750,000,000 a year in capital expenditure on the railroads of America. I should say that those figures were conservative.

The CHAIRMAN: The reason that I have asked that question is simply to lead up to this figure of $495,741,875 which is carried here as the amount of probable deductions that you can make from the amount the railroads owe you on additions and betterments. It seems to me that in view of the fact that in all probability the Interstate Commerce Commission will soon establish rates sufficient to allow the railroad companies to live and meet their obligations, that the railroad companies themselves will be able to do some of this financing, if they are given to understand that the Government is not in the business of financing railroads or any other enterprise as a permanent thing.

Mr. SHERELY. Mr. Chairman, I agree with you and I think some of it can be done, but I want to suggest this viewpoint, not because I necessarily share it in its entirety but because it is a viewpoint held by a good many railroad men of large activities and experiences. They want to know what inducement there is for a railroad company that is permitted under the terms of the transportation act to earn 5½ per cent upon its invested capital, with a possible ½ per cent more to take care of additions and betterments, which would make a maximum of 6 per cent, what inducement there is for such a company to make new improvements whan it has to borrow money for which it must pay 7 or 8 per cent.

Mr. CHAIRMAN. I can only say to you this, that I think any person conversant with the present Treasury situation realizes the necessity of curtailing as far as possible the demands that should be made upon it and through it on the people of America, and I thoroughly share

the view that you have expressed, that any great increase of indebtedness on the part of the railroads to the Government of the United States invites and tends toward Government ownership, but I think we have got to keep in mind at this time the situation that confronts the railroads of the country, the conditions that exist in the money market, the rates of interest, and it is a matter about which I certainly would not want to be dogmatic, and I can only say that we have made this estimate with the idea not of giving to the railroads anything like what they will ask, and not with the idea of helping them where they can help themselves, but with an appreciation that there will be cases, which the act contemplated, where there will be need, in order to steady the situation, to give some aid to the roads by permitting them to fund a larger part of their indebtedness than would otherwise happen. They have done practically no private financing since the war started. It is the custom, as you know, of railroads, as a rule, to fund practically all or the major portion of their capital expenditures. They are corporations that are never out of debt; they never expect to be without a debt, so that when a situation arises in which they are asked to pay for current capital expenditures largely out of revenues currently earned, it produces a pretty heavy strain upon roads not of the very strongest financial character, and of necessity there has got to be some leeway.

The CHAIRMAN. Mr. Sherley, granting all that, if you lend to one railroad, assuming that it is solvent, at 6 per cent, on the theory that if that road goes into the market it would have to pay 8 per cent for its money, and would not be entitled, under the law, to earn a return to that extent, then why must we not lend money to all the railroads, not only for their additions and betterments and extensions, but to retire the bonds as they mature at 6 per cent. If we lend to one, why must we not carry out the same policy as to them all, and where is that going to lead us?

Mr. SHERLEY. Mr. Chairman, it seems to me there is a little difference between the kind of loans you speak of and what is involved here, in the postponement of payment of a debt already incurred. From the time I became Director of Finance until now, there has been no money lent by the Railway Administration in order to enable any railroad to take care of any maturities, and there has been no money lent to any railroad in order to enable it to save interest rates.

Whatever indebtedness of the roads to us exists grows out of one of two things, either loans that were made during the war, in order to take care then of certain maturities to steady a situation in the interest of the whole Nation, or since then indebtedness growing out of capital expenditures necessary to be made in order that the roads might properly perform their functions. We have paid on account of compensation and in one or two instances have advanced moneys to permit roads to meet equipment trust maturities which, as you know, are usually financed through annual payments running over a 10 or 15 year period. Equipment is the necessary tool of a railroad; it is helpless without its equipment and it was of the highest importance that the railroads should be able to meet their equipment obligations during this period of stress. I do not know what policy the Secretary of the Treasury will pursue, but I take it that the Secretary in the loaning of the moneys that he is authorized to loan, will lend them, having in mind, as the act clearly intends it should be

in mind, the transportation needs of the country, and if, as is likely, it is necessary to get equipment to serve the country that fund will be used, in large measure, to enable the roads to acquire such equipment.

The CHAIRMAN. Take the Pennsylvania road, and that road has been referred to several times. It is a road that will likely be owing the Government considerable when this settlement is made. As I recall, a year ago, when the Railroad Administration was a little hard up, the Pennsylvania road came forward with something like $20,000,000 and loaned it to the Railroad Administration.

Mr. SHERLEY. They did borrow on some short-term paper some $20,000,000 and were helpful in that regard. But the Pennsylvania System is a very great system; its annual budget is very large, and $20,000,000 is not a very large sum in connection with the finances of the Pennsylvania System. It has been called upon to make very large expenditures, and very large expenditures have been made for it.

The CHAIRMAN. It seems to me that a road of that kind ought to be able to come to the Government of the United States and pay its obligations; it ought to stand alone, and it ought not to ask Government aid. I speak of that road only as a class. It is a great railroad, a great system, and I am only speaking of it as it is representative of a class of roads. It seems to me that if they will finance themselves they will be better off in the long run than to commence now to lean on the Government, because by leaning on the Government now and borrowing from the Government now will simply give a pretext, to those who want to take their property over and have the Government own it, to simply invest a little more and then own the properties of roads of that kind.

Mr. SHERLEY. Part of the indebtedness of the railroads to the Railroad Administration we have no option touching. You appreciate that the transportation act requires us to pay certain sums over?

The CHAIRMAN. I understand that.

Mr. SHERLEY. Then it authorizes the railroads to fund all addition and betterment indebtedness that may remain after the offsetting that is permitted for a period of 10 years. Now, manifestly railroads that have the option under that act to fund addition and betterment indebtedness for a period of 10 years at 6 per cent are not going to undertake to go out in the market and borrow at rates greater than 6 per cent in order not to avail themselves of the privileges of the act. So I think we can safely assume that to the extent the act gives them the right to fund they will claim that right.

The CHAIRMAN. Mr. Sherley, how much of this estimate could be deferred, say, until the 1st of January?

Mr. SHERLEY. Mr. Chairman, it all depends upon what policy is to be pursued. If the question of maintenance is adjusted between the railroads and the Railroad Administration, I think it will be possible to adjust and settle accounts between the railroads and the Government very rapidly, and I think that from every standpoint—governmental, railroad, and in the public interest—that is to be desired, because manifestly any uncertainties touching the indebtedness of the railroads to the Government and any uncertainty as to when the Government will pay the indebtedness to the railroads simply adds another factor to the already uncertain situation relative

to the credits of these roads and affects, in turn, their ability to finance and to borrow money. I take it also that the Government ought to pay its debts promptly, and it has been the thought of the Railroad Administration that it was very much to be desired that while those who had acquaintanceship with the facts were still in the employment of the Government settlements be had between the railroads and the Railroad Administration.

Mr. BYRNES. Do you mean that failure to grant the appropriation would delay the Railroad Administration in settling these claims?

Mr. SHERLEY. Manifestly; whoever was in charge of the finances of the Railroad Administration would not feel warranted in making settlements unless he had the money with which to pay and, in point of fact, I do not think he could make the settlements.

Mr. BYRNES. What chance is there of making these settlements by January 1?

Mr. SHERLEY. I should hope that considerably more than 90 per cent of all indebtedness would be paid long before January 1.

The CHAIRMAN. Mr. Sherley, how much of the $200,000,000 carried in the transportation act will have been expended by the end of this fiscal year?

Mr. SHERLEY. Mr. Chairman we will have expended all of that money within the next 60 days.

The CHAIRMAN. And how much of this money that you are estimating for was it proposed to expend during this present fiscal year?

Mr. SHERLEY. Mr. Chairman, that is necessarily dependent on how fast these accounts are settled. I take it that part of the moneys which I owe the railroads, and which the transportation act compels me to pay, ought to be paid promptly, because it is money for three purposes—fixed charges, dividends that have been recognized, and working capital. It is going to help a road mighty little to be paid money for fixed charges after it has defaulted on fixed charges, so that manifestly those payments must be made absolutely from day to day. In answer to your inquiry as to how rapidly moneys will be disbursed I will be glad to submit an estimate showing what I think will be the necessary disbursements in the next 60 days; after that it would depend on the rapidity with which the accounts are brought in such shape as to make final settlements possible.

The CHAIRMAN. If it is possible for you to extend the period so as to show the payments to the end of the fiscal year I wish you would do so.

Mr. SHERLEY. We will do that, Mr. Chairman, to July 1.

The CHAIRMAN. Mr. Sherley, I assume you do not want to put in the record any statement with regard to the amount which would be necessary to pay the individual roads at this time?

Mr. SHERLEY. I do not. The accounts are not in a shape that would permit of a statement being submitted that either the railroads or the Railroad Administration would feel adequately presented the matter. If you desire it, I will be glad to give you a list of roads that will likely owe sums of some magnitude.

ADMINISTRATIVE EXPENSES OF RAILROAD ADMINISTRATION.

The CHAIRMAN. Mr. Sherley, you are asking $3,445,222 for administrative expenses of the Railroad Administration for 1920. Is that the fiscal year 1920?

Mr. SHERLEY. No, sir; the calendar year, the year 1920. The railroad accounts are all kept on a basis of the calendar year, and the transportation act makes such moneys as it carries and reappropriated, available until expended. We are asking this money as a continuing appropriation and not for the fiscal year.

The CHAIRMAN. Is it estimated that it will require that amount for the next eight months?

Mr. SHERLEY. This estimate is predicated upon the basis, as I recall it, from March 1, to the end of the year. Of course, we have on hand a good many millions of dollars, out of which we have been paying the thousands of dollars from month to month which the expenses of the central administration require. The estimate is made as of March 1.

The CHAIRMAN. When compared, however, with the total amount expended in the previous 26 months, it seems rather large.

Mr. SHERLEY. Mr. Chairman, the details of it can be explained by Mr. Clagett, who is the assistant to the Director General, and who has prepared the details. He can answer that and any other inquiries in regard to it.

The CHAIRMAN. Have you divided this amount up as between your Washington office and your field expenses?

Mr. CLAGETT. Yes, sir; we have. I can give you briefly, I think, some of the details here which might simplify the matter. The estimate, as submitted, includes an item of $3,445,222 for administrative expenses, divided $2,799,541 for salaries and $645,681 for other administrative expenses, and covering the period from the ending of Federal operation on March 1, 1920, to January 1, 1921. This item is based on actual figures for March and an estimate made as carefully as possible for the remaining nine months of the year. It includes salaries and expenses both in Washington and in the field.

As already indicated by the Director General, the Railroad Administration since March 1, is made up as follows: The Director General's office, which, in addition to exercising general supervision, has direct charge of winding up labor and coal matters, and of such administrative questions as purchase of building and office supplies, the supervision of rents, the mails, operation of buildings, etc. Then, there are the Divisions of Liquidation Claims, Finance, Law, and Accounts. The principal function of these units has already been outlined by the Director General. The Divisions of Purchases, Operations, Labor, Public Service, Traffic, Capital Expenditures, and the Board of Railroad Wage and Working Conditions, which were in existence during Federal control, have already been abolished as such.

It is anticipated that, as compared with the present, the number of officers and employees and the expenses in the Washington headquarters will decline somewhat as the year progresses, but, on the contrary, that there will be some increases as to the field forces, principally on account of the field work to be done by the divisions of liquidation claims, accounts, and law, in protecting the interest of the Government in the settlements to be made.

The actual operation of the railroads by the Government, of course, came to an end on March 1, 1920, and subsequent thereto the work carried on by the Railroad Administration is the work of liquidation authorized by the transportation act. As of February 15, when

the Government was still operating the roads, the Railroad Administration, including the central and regional offices and, of course, excluding the individual railroads, had 2,640 officers and employees, with a total monthly pay roll of $558,932. Anticipating the end of Government operations, plans for reducing the forces promptly were made and by March 15 the number of officers and employees, both in Washington and in the field, had been reduced to 1,322, with a total pay roll of $256,486 per month, or a reduction of 1,326 officers and employees and a reduction of $302,446 on the monthly pay roll. The Railroad Administration arranged to give all released employees two weeks' notice.

While every effort was made to completely close up the operation side of the work promptly on March 1, and while in general this was accomplished, it was found necessary to keep on some small units for a short time in order to close up records, complete reports for the benefit of the liquidating part of the organization, and finish correspondence. The Director General, however, has given directions, which are being closely followed up, that officials and employees not needed in the liquidation work be released just as promptly as possible in order to keep down expense. In reality, the difficulty of the administration has not been in getting rid of employees and officials, but in holding them. Because of the temporary character of the work of the Railroad Administration, experienced men with the special knowledge needed by the Railroad Administration have stayed in the work reluctantly, and it has been exceedingly difficult to get new ones. If it is desired by the committee, I should be glad to put in the record a list of the officers and salaries of the Railroad Administration as of March 15, the first pay day after the termination of Federal control. This list does not represent all the reductions in force already made, since those reductions are still going on, although, as already stated, the bulk of them were made promptly as of March 1.

(For the list referred to see Exhibit G, p. 242.)

Mr. CLAGETT. Now, answering specifically your question, as I have already indicated, the total number of employees as of March 15 was 1,322, with a total monthly pay roll of $256,486. Carrying these estimates through, and also including other administrative expenses for the remaining nine months of 1920, we brong this total estimate up to $3,445,222.

The CHAIRMAN. That list that you have referred to gives the rates of pay of the employees?

Mr. CLAGETT. Yes, sir; it gives the titles and rates of pay. You might be interested in knowing that during 1919, on the 12-month basis, the total cost of both salaries and administrative expenses of both the regional and central administrations was $8,824,545.65, as compared with our estimate now for 10 months of $3,445,222.

BOARD OF RAILWAY WAGES AND WORKING CONDITIONS.

(See p. 213.)

The CHAIRMAN. I want to make some inquiry with regard to your force: Regarding the organization known as the Board of Railway Wages and Working Conditions, should I make my inquiries of you or of Mr. Hines?

Mr. CLAGETT. I can take that up, Mr. Chairman.

The CHAIRMAN. Information came to the committee sometime ago, somewhat in the nature of a complaint, that persons employed in that division were not doing anything, and that while the work of the board required the services of experts in the making of decisions in cases, there was quite a large force of clerical employees, doing secretarial work for a board that had practically no correspondence, and with nothing to do except the hearing of complaints and then arriving at decisions. What is the situation there?

Mr. CLAGETT. The situation as to that board, Mr. Chairman, is that, in the first place, it was abolished as of April 1, 1920. At the time it was abolished it had 35 employees. I think it might be helpful if I put into the record a letter received by me from the Chairman of that board furnishing a statement of its work in its closing days. This statement has already been sent by me to you in answer to an inquiry made by you, I think, as a result of that criticism, and it might be helpful to have this letter and statement in the record. The board has given here the details of its work, and I think it has shown pretty completely that its work was very important and that it kept the personnel very busy. I might add that when you wrote down there along in January, I personally went down to the board—they were in the Southern Railway Building—I became convinced that those employees were very busy and that all of their time was occupied. As a matter of fact, they were doing a great deal of night work. In addition to their hearings on wage matters, the board was carrying on some very extensive, and, as we considered, very valuable investigations as to wage data. That data is to be turned over to the new labor board created by the transportation act.

The CHAIRMAN. I have a tabulation of the work done by a force there that was costing on the basis of $158,000 a year, or thereabouts. For instance, on February 3, the board received 29 letters, all told; it called for and examined 15 other papers, and it returned 2 of the old papers. The total number of papers handled that day was 44. On February 4, they received 29 letters, examined 4 other papers and 4 memoranda. The next day, on the 5th, they received 15 letters, examined 4 other papers, returned 1 paper, and examined 6 memoranda, or a total of 26 papers.

Some days they received only five letters and examined four other papers. Notwithstanding that, there were employed there during that month five secretaries and seven stenographers. The total number of letters and memoranda typewritten during the month of February—and this force was a force employed to do typewriting—amounted to 657, or an average of 30 letters per working day. The average number of letters per person was 2.36. The pay of those 12 employees per month amounted to $1,625. If you divide this sum by the total number of letters received, or 657 letters per month, you would get an average cost of $2.47 per letter. For March, 1919, the statistics are available for only 19 days, but they show 28 letters per working day, an average of 2.33 letters per person, at a cost of $3.38 per letter. In arriving at that cost, I do not take into consideration the work of the men who are not writing letters, but who are trying to arrive at decisions. I am only taking into consideration the secretarial and clerical force. When the word came to me in the first instance that they were not doing anything, I caused an investigation to be made on my own

account, and was furnished this information by a person who was employed there. Of course, I know that Mr. Hines personally knew nothing about it, and I know that he would not have countenanced that sort of work on behalf of the Government for a moment. I am asking you now with regard to it because I am also told that this same force has been given to understand that they will be taken to Chicago within the next few weeks, and have been advised not to take other employment. It seems to me that they are not the character of employees that would warrent their retention in the Government service anywhere.

Mr. CLAGETT. I do not imagine that anybody in the Railroad Administration could have given them that assurance, because the board is to be appointed by the President, and the Railroad Administration will have nothing to do with its forces. Certainly we have given them no assurance of that kind.

The CHAIRMAN. No, I think not. My understanding is that there has been some tentative program arrived at with regard to some board or commission that is provided for in the transportation act that is to go to Chicago.

Mr. CLAGETT. Yes, sir.

The CHAIRMAN. And my understanding is that that labor board, or some members of it, have been agreed upon and that the members who have been agreed upon are members of this board of railroad wages and working conditions, and that they have stated to these employees that they will want the same employees in Chicago.

Mr. CLAGETT. Some of the members of the board of railroad wages and working conditions have been nominated to the President for appointment by certain labor groups, but whether they will be selected by the President has not been announced by the President. I think I ought to say that on that one occasion I have referred to I went down there and saw the work of the board. The figures that have been given to you there cover correspondence. I have had a great deal to do with the board, but I have never thought that they carried on much correspondence. Their work, primarily, has been in the investigation of labor matters, and in recent months the tabulation of this data which has been collected in the field.

The CHAIRMAN. That is the reason why I asked in regard to the number of letters they received and the number of papers examined, because that, it seemed to me, would cover all of the work that secretaries or clerical employees could possibly be engaged in.

Mr. CLAGETT. I would like to read about one paragraph of this letter, which is signed by Mr. Morse, the chairman of the board, and dated January 26, 1920.

The CHAIRMAN. The period that I have in mind was February and March of 1919, and not this last month.

Mr. CLAGETT. You wrote down to us in January and February, 1920, and I took it for granted that was the period you had in mind.

The CHAIRMAN. The figures that I was able to get were for about one year ago.

Mr. CLAGETT. I was in the Railroad Administration then, but I had no connection with work like that at that time. Of course, the board is now out of existence. The investigation I made covered January, 1920, or a year subsequent to the date that you have there.

The CHAIRMAN. My information was that practically the same character of work was being carried on.

Mr. CLAGETT. Mr. Morse's letter, under date of January 26, 1920, reads as follows:

Your letter of January 17, inclosing a letter dated January 15, 1920, from the chairman of the House Appropriations Committee, received and submitted to this board.

We are attaching a statement indicating the desired information, which it is hoped may dissipate personal misunderstanding, undoubtedly created by misinformation. It has been the policy and intent of this board to maintain only sufficient organization to enable it to properly function and to reduce the force as rapidly as conditions warrant. Substantial reduction of force has been made since January 1, 1920, and will be continued as rapidly as consistent.

In reference to mentioned statistical compilations; it is proper to state that only those who have been charged with the responsibility of efforts to fairly consider wage subjects, can realize the almost total lack of dependable concrete data available for study, and upon which to predicate a conclusion. This board has been severely handicapped from its organization by reason of this fact and particularly so on account of the necessity of the subject being treated in a general way, instead of for individual properties. Certain statistics are in course of preparation, not only by this board, but also by the individual railroads, in the belief that the compilation will be required by whatever agency or method that may be adopted to deal with railway wage matters whether in its entirety, by groups, or by individual properties. It will not be possible to equitably consider and dispose of this important subject without such concrete data; and it will be of great value from every viewpoint. We know of no statistics that are being compiled by or under the direction of this board that will involve any extended period of time to complete, or that could be properly regarded of doubtful value by those competent to determine the subject.

This board was organized June 1, 1918, and since that period up to date has functioned continually, without adjournment, every weekday and some Sundays and holidays, and nights. As usual and necessary with such bodies, it was necessary to separate the board into subcommittees for the purpose of expediting the consideration of the multitudinous subjects presented. These subcommittees, after study, deliberation and discussion, present their conclusions to the full board for consideration and disposition in executive session. These executive sessions have been held over 80 per cent of the weekdays, since June 1, 1918, varying in length from 30 minutes to 6 hours; and practically each weekday when executive meetings were not conducted, the board was occupied with public hearings. It would be as unfair as it is unreasonable, to conclude that the work and application of this or any other similar board is confined to executive sessions, but precisely pro contra.

Then they give a long list of the work which was under way by the board at that time, together with the number of employees, their salaries, etc. I would like to make this statement of the Chairman a part of the hearing.

JANUARY 26, 1920.

Following is a statement of unfinished business before this board:

Docket 301: Proposed revision of I. C. C. classification of employees and proposed monthly report showing number of railroad employees and their compensation. This proposition was prompted by the unreliable statistics now being reported to the I. C. C. The work on this is nearing completion, and a recommendation in the matter will probably be made to the Director General in the course of the next few days.

Docket 426: Adjustment in rates of pay of levermen employed at Hastings, Kalamazoo, and Richmond Junction, Michigan Central R. R.

Docket 451: Adjutsment in rates of pay of 212 agencies on the Baltimore & Ohio R. R. under Article VIII of supplement No. 15 to General Order No. 27.

Docket 97: Proper classification and rates for employees operating electric power driven turntable.

Docket 523: Request of employees on car ferry *Chief Wawatam* operated in the Straits of Mackinac for wages and working conditions similar to those in effect for employees on Lake Michigan and Detroit River.

Docket 529: Proper classification and rates for certain mechanics in the maintenance of way department, it being contended that on some roads the provisions of Supplement No. 4 had been applied, while on others they were being paid under the provisions of Supplement No. 8.

Docket 540: Rates of pay of marine employees on floating equipment operated on the Detroit River. This matter is now in suspense, awaiting advice from the Director General as to what action, if any, he desires taken.

Docket 542: Proper classification and rates for employees in charge (attendants) of electric motors around roundhouses, coal bins (coal chutes), ice houses, water tanks, etc.

Docket 562: There is an appeal under this docket from pursers, assistant pursers, as to the provisions of this board's recommendation on N. Y. P. & N. ferry employees, Port of Norfolk.

Docket 577: This docket involves a study relating to increase in expenses due to interpretations 1 of supplements Nos. 15 and 16 to General Order No. 27. This study is now in course of compilation.

Docket 579: Question as to rate of pay of the third-trick operator at Westport, Morris Tower, D. L. & W. R. R.

Docket 588: This docket involves a question of intent of interpretation No. 8, supplement No. 13 to General Order No. 27.

Docket 625: Wages and working conditions of porters in sleeping and parlor car service.

Docket 639: Question as to whether, in the handling of grievances, only committees of employees will be recognized or whether employees may elect as their chairman or members of their committee persons who are not employees of the railroad.

Docket 645: Rules governing working conditions of employees covered by provisions of supplement No. 13 to General Order No. 27.

Docket 645 (c), (d), (f), (g): These dockets cover wages and working conditions of pier freight handlers and grain elevator employees at Baltimore, Hampton Roads, Galveston, and Portland, Me.

Docket 648: Rules and working conditions governing employees covered by the provisions of supplement No. 13 to General Order No. 27.

Docket 656: Request for adjustment of alleged inequalities existing in the salaries of employees in the local freight office of the Grand Trunk Western lines at Flint, Mich.

Docket 663: Adjustment of rate of pay of agent at Fort McPherson, Ga., C. of Ga. R. R.

Docket 667: Wages and working conditions of masters, mates, and pilots on floating equipment under Federal operation at various ports.

Docket 669: Request for adjustment in rates of route and revising clerks employed by I. C. R. R., Chicago, Ill.

Docket 672: Adjustment in rates of pay of 50 positions of agents and operators of the N. Y. C. & St. L. R. R.

Docket 676: Question as to the inclusion in telegraphers' schedule of 21 agencies on the P. & L. E. R. R.

Docket 679: Seniority rights of colored firemen employed by the A. C. L. R. R.

Docket 685: Adjustment in rates of pay of agents at 16 small nontelegraph stations, C. G. W. R. R.

Docket 687: Proper classification of ticket agent at Englewood Union Station, C., R. I. & P. R. R.

Docket 536: In addition to the above dockets, the chief executive officer of the Brotherhood of Locomotive Engineers has expressed to this board his intention of placing before it in the near future a proposition for increase in wages of the locomotive engineers on lines under Government control.

STATISTICAL DATA.

Shop employees: The tabulation of the returns on questionnaire circulated to deveop the rates of pay, hours of service, etc., of employees covered by the provisions of supplement No. 4 is now nearing completion. This data will consist of 19 volumes and will indicate definitely the effect of the increases awarded these classes of employees from the study of the actual performance of labor. There will be six recapitulations indicating the result of a study of six different phases. Due to the large number of classifications and the great number of employees involved, this compilation has been the most voluminous and the most exhaustive ever undertaken by this or any other tribunal and when completed will involve approximately 500 sheets and will indicate definitely the effect of the various increases granted to these classes of employees, both as to the direct increases granted and the increases due to the reclassifying of certain employees.

Colored firemen: Returns have been received on questionnaires sent out to develop the increases granted colored firemen under wage orders. Tabulation of the returns has not yet been completed.

Train service employees: Returns have been received on questionnaires sent out to develop increases granted by Supplements Nos. 15 and 16, based on 5 men in each occupation in each class of service on 5 railroads in each region which have not heretofore been included in joint arbitrations. This tabulation has not yet been made. Information has been filed with the board showing the effect of interpretations 1 to supplements Nos. 15 and 16 but no tabulation has yet been made. Reports have been filed showing total wages and total overtime paid engineers, firemen, conductors and trainmen in yard service on the various railroads, months of October, 1916, 1918, and 1919. This data has not been completed as yet.

Telegraphers: A study has been made as to the average hourly rates of telegraphers in 1918, the tabulation of which is now nearing completion.

Clerical employees: There has been circulated by this board a questionnaire to develop the wages and working conditions of employees covered by the provisions of supplement No. 7 to General Order No. 27. This data is now being compiled by the various railroads under Federal operation and a number of reports have been received. Tabulation, however, has not yet been started.

Maintenance-of-way employees: There has been circulated by this board a questionnaire to develop the wages and working conditions of employees covered by the provisions of supplement No. 8 to General Order No. 27. These questionnaires are now being compiled by the railroads and a number of reports have already been received but the tabulation has not yet been started.

The above represents the major compilations that are being made under the direction of this board, which, when completed, will give this or any tribunal that may be established to deal with wage adjustments an intelligent basis upon which to predicate the application of wage increases to existing schedules.

The number of employees, including members of the board, on January 1, 1920, was 56, and the total pay roll for December, 1919, was $13,052.49. Under the practice of this board, the number of employees fluctuates in accordance with the necessities of the service and following this practice three employees were notified on January 5, 1920, that they would be relieved on January 15, effecting a reduction in pay roll of $312.50 per month, and seven additional employees were notified on January 9, 1920, that they would be relieved on February 1 and one employee on January 26, effecting a decrease in pay roll of $910. This will leave us a total of 45 employees, including board members, on February 1.

On account of the importance of the statistical work upon which we are now engaged and the amount of remaining unfinished work, it would not be practicable to make further reduction in the force unless it is decided that the tabulation of the statistical information is to be abandoned. The railroads have already expended a large amount of money in the accumulation of this important data.

The board occupies quarters in the Southern Railroad Building, with 16 permanent rooms, several of which are only suitable for storage and filing purposes, one of which rooms is dedicated to a public hearing room and another to general clerical work room. In addition to the above number, the board temporarily occupies four rooms, owing to the lack of suitable space to handle the material in connection with compilation of the statistical data above referred to.

W. E. Morse,
Chairman Board of Railroad Wages and Working Conditions.

Mr. Clagett. I might say in addition that that is the kind of a situation that the Railroad Administration tries particularly to avoid, and I would like to have those particular figures you have referred to. I would like to look up their back records.

INVESTMENT IN INLAND WATERWAYS.

(See also p. 205.)

Mr. Parker. Mr. Chairman, I submit as an exhibit a statement of the obligations of the Railroad Administration in connection with financing the constructing and purchase of equipment for inland waterways.

(For the statement referred to see Exhibit H, p. 248.)

Mr. Parker. This statement shows the total estimated cost of the investment in the inland waterways, including the amount to be

spent after March 1. It shows total estimated cost of $15,265,-555.33; it shows as the amount expended to March 1, $11,786,544.59, and the amount of money to be expended after March 1 is shown as $3,479,010.74. The figure shown in the balance sheet is $14,581,125, or a difference of $683,429. The difference is accounted for by the fact that when we made up the balance sheet it was based upon somewhat incomplete data. On March 1, in accordance with the provisions of the transportation act, 1920, we turned over the operation of the inland waterways to the War Department, along with all the books, records, accounts, and cash. There were some $600,000 cash in the hands of local people on the waterways, which went over to the War Department to carry forward the outstanding obligations.

Inasmuch as we had not received a report from the local people with reference to that expenditure, we treated that item as cash, and, subsequently, we got from the records, which are now in the possession of the War Department, the data as to the items for which it was expended, so that makes it possible for us to distribute that amount, $600,000, which appears as merged here with our other cash, into this statement of expenditures for equipment, and so forth. So that it makes no change in the balance sheet. It merely means that $600,000 is shown here as cash, whereas it was actually expended on the waterways, and this $15,265,000 is the total for that purpose.

The CHAIRMAN. Then you will put in the record a statement of that?

Mr. PARKER. The statement I have given as an exhibit includes the whole thing.

At the last hearing we introduced a lot of data with reference to the tonnage carried on the waterways. I do not know whether you will find that of interest now or not. We have a couple of tables here that show the tonnage carried on the waterways, and I will just introduce those as a matter of general interest.

(For the data referred to see Exhibit I, p. 250.)

SOUTHERN EXPRESS CO. STOCK.

Mr. SHERLEY. Mr. Chairman, there were two items in connection with express-company stock which I said we would get the information on. I have the information, and it is as follows:

The Southern Express Co. note for $753,159 is a note of the Southern Express Co. given in favor of the Director General of Railroads, dated December 30, 1918, due in two years, interest payable semiannually. As collateral to secure the payment of this note, the Railway Administration holds $1,000,000 par value of the regular stock of the American Railway Express Co., which is covered by certificate No. A-3 for 10,000 shares. This note was issued to settle claims of the railroads against the Southern Express Co. for express privileges furnished during the first six months of Federal control, and as a result of an agreement reached December 21, 1918, between the Southern Express Co., acting through its president, and the Railway Administration, acting through its general counsel. Interest on above note has not been paid because of lack of funds and amounts to December 30, 1919, to $45,189.54. An agreement dated December 30, 1918, was reached between the Southern Express Co. and the American Railway Express Co., under which the $1,000,000 stock of

the latter was assigned to the Director General of Railroads as collateral to the said note of the Southern Express Co. The reason, probably, that the interest has not been paid has been because the American Railway Express Co. has been operated at a deficit, and whatever moneys it had, it got from us, so that it would have meant our advancing them moneys in order that they might in turn pay the Southern Express that it might pay this obligation.

ADAMS EXPRESS CO. STOCK.

The Adams Express Co. indebtedness ought to really read American Railway Express Co. stock of $3,656,000. An arrangement was made between the Railroad Administration and the Adams Express Co. for settlement of the claims against the Adams Express Co. for express privileges furnished it during the first six months of Federal control by the payment in cash to the Railroad Administration of $3,509,084.34. However, because of the embarrassed financial condition of the express company it was unable to pay in cash, and offered to settle by paying $5,000,000 in stock of the American Railway Express Co. instead of the above-mentioned sum in cash. Later, the Adams Express Co. delivered only $3,650,000 of the regular stock of the American Railway Express Co. and offered for the balance of the $5,000,000 of stock due to deliver $1,594,000 of qualified stock. The Railway Administration declined to accept the latter because of its being qualified. The $3,656,000 of the regular stock is now held by the Director General, although final settlement with the Adams Express Co. for its indebtedness to the Director General has not yet been agreed upon. This is a part of the stock of the American Railway Express Co. issued to the Adams Express Co. in the consolidation of the four express companies into the American Railway Express Co. in June, 1918. The certificate which the Director General holds is numbered A–4, covering 36,560 shares.

Now, Mr. Chairman, the qualified stock that the railway administration declined to accept, and which was tendered in the amount of $1,594,000, was qualified so that no dividends should be paid upon it until and unless the balance of the issued capital stock of the American Railway Express Co. shall have paid a primary dividend of 5 per cent; in other words, it was a deferred stock and the railway administration was not willing to accept it in lieu of primary stock, and the matter, from this memoranda, remains yet to be adjusted.

AMERICAN RAILWAY EXPRESS CO.

(See p. 208.)

The CHAIRMAN. Mr. Sherley, what is the express situation?

Mr. SHERLEY. The express situation, briefly, is this: The four express companies that were then in existence were combined into the American Railway Express Co. and that railway express company is the sole competitor, I think, in the field against the parcel post, which is engaged in similar business for the Government.

The CHAIRMAN. Then the Adams, and the United States, and the Southern are all liquidating, as I understand it.

Mr. SHERLEY. Their transportation assets were all taken over under the consolidation by the American Railway Express Co. and

they were paid in stock, partially, or perhaps entirely, of the American Railway Express Co. It is this company that since sometime last year has been conducting the express business, and with whom the railway administration made a contract whereby it was to receive forty-nine and a fraction per cent of the revenues arising out of the express business. Mr. Clagett tells me that some of these component companies that were merged into the American Railway Express Co. transferred to that company simply their American express business, but that some of their other activities they are continuing to carry on—such as their foreign business and money order business—but they are not doing an express business in the United States.

Mr. THELEN. They turned over the properties they were using in the express business in the United States. They had other assets in the United States and some foreign business, but all we got was the particular property they had been using, as I understand it, in their express business in this country.

The CHAIRMAN. Mr. Sherley, some time in the month of September, 1919, the Assistant Secretary of the Treasury advised me that the Railroad Administration would not, as it then appeared, require additional funds from the Treasury through appropriations for the balance of this fiscal year. I assume that that information was on the theory that the equipment trusts that you were then working on would go through and that the Railroad Administration would get considerable sums of money from the sale of equipment trusts.

Mr. SHERLEY. It was probably due, Mr. Chairman, not only to the contemplated sums that might be received through the financing of the cost of equipment as to the fact that at that time the revenues of the Railway Administration were exceedingly flattering. We made considerably more than the standard return that we owed to the railroads out of railroad operations for a couple of months, and it looked like we had turned the corner and were on the road toward continuous, profitable operation. Then there came the coal strike and our prospects went glimmering and the receipts of the Railway Administration fell away to a point where in the last month of operation, still feeling the effect of the coal strike and in addition to that the very severe weather, they represented a net loss on operations. Then also, Mr. Chairman, at that time it was contemplated that Federal control was going to end on January 1. We lost in January and February $130,000,000 or $140,000,000. We were short that much of making our guaranty. So that if you count that out and also make some allowance for what we thought would be a continuation of the high tide of receipts during August and September, we would have been able to have gotten past July without an appropriation.

The CHAIRMAN. A few days before the passage of the transportation act, as I recall, your estimate was that it would take $634,000,000, but $200,000,000 of that was taken care of in the transportation act, I was wondering just where the difference between the $420,000,000 estimated here and the remaining $434,000,000 comes in.

Mr. SHERLEY. Mr. Chairman, it runs all through the estimate. I undertook to make that comparison for myself. The figure given then was the need of an appropriation of $636,322,885. There has been an increase in the actual operating loss which at that time was

figured at eight hundred and fifty-odd million dollars and is now figured at something over $900,000,000. That explains part of it, but while that would represent an increased loss of more than $50,000,000, on the other hand, the estimate ofthe expenditures for additions and betterments, which was $780,000,000, is now given at $765,000,000. You understand, as time went on we were able to supplant estimates with actual reports of expenditures. The result has been to show a net decrease from $436,000,000 to the $420,000,000 that is now submitted, but the two statements are not readily comparable, because a good many factors have shifted both credit and debit.

Mr. PARKER. One element that was very materially altered was that we completely refigured our estimates of the interest pro and con in the accounts and that brought quite a different result.

Mr. SHERLEY. This is a much more finished statement, Mr. Chairman. We have had some time to check up and the other estimate had to be thrown together without a good deal of the data, just as we would be able to give you a month from now a statement that would be a refinement on this present statement.

The CHAIRMAN. Do you think it will show a corresponding decrease in the estimates?

Mr. SHERLEY. I hope so. The Railway Administration will be glad to acquire whatever merit it can by reducing expenditures.

DIVISION OF LIQUIDATION CLAIMS.

(See p. 104.)

The CHAIRMAN. Mr. Thelen, I would be very glad to have you make a statement with regard to the liquidation of the claims of the Railroad Administration.

Mr. THELEN. While I had not expected this honor, I will be pleased to tell you offhand just the way it occurs. You might be interested in the organization that is being established for this purpose, and also, in general, as to something about the liquidation of the claims.

We have now in the division of liquidation claims four departments, one of them is known as the department of way and structures, one is the department of equipment, one is the department of materials and supplies, and the fourth is the department of traffic.

Now, it will be the function of the department of way and structures to handle all matters affecting way and structures involved in these claims, particularly questions of maintenance in so far as way and structures are concerned. There will also be some questions of capital expenditures but they will not be as important as those involving the maintenance.

As far as the department of equipment is concerned it will handle all equipment matters in connection with claims, both as to maintenance and capital expenditures.

The department of materials and supplies will handle all questions in connection with the inventory of materials and supplies, comparing the inventory as of December 31, 1917, with the inventory as of February 29, 1920; and the department of traffic will have charge of the remaining traffic questions including, particularly, the reparation claims that arise out of transportation during Federal control, which claims will be presented either informally to the Administration or formally in proceedings before the Interstate Commerce Commission or before the various State commissions. This depart-

ment also will have charge of such claims as short-line railroads may have, growing out of such diversion of their traffic which may not have been made good during Federal control, and also questions in connection with the divisions of the rates that were established as between the short-line railroads and the trunk-line railroads.

The Railroad Administration is now proceeding very quickly to build up its organization and we have secured some very competent men, whom we are hopeful of being able to hold, although you will appreciate that the employment being more or less temporary in character it is somewhat difficult to get just the men we need. We have to pay some of them a little more than they otherwise would get, because their work is only temporary in character and I think you will find this organization, together with the other divisions—that is, the accounting division, the finance division, and the law division, will be able to protect pretty adequately the interests of the Government.

With reference to the claims in general, it has already been suggested to you that the most important of those claims will involve maintenance questions, questions of maintenance of way and structures and questions of maintenance of equipment. The uncertainty as to the amount of those claims and also the very large amount of money that can be saved by careful and efficient management as against that which would be lost otherwise is, I think, well illustrated by the first claim that has come in. We have now before us the claim of one of the largest railroads which claim is for some $3,000,000 of alleged undermaintenance of equipment, some $2,000,000 for alleged undermaintenance of way and structures, and a little less than $1,000,000 for alleged failure to turn back materials and supplies in the quantity and the quality we should have turned back, making a total of $6,000,000 of claims against the Government presented by this one railroad. On the other hand, our own tentative figures would seem to indicate an overmaintenance of equipment running somewhere between two and three million dollars as contrasted with their claim of undermaintenance amounting to $3,000,000. There is a difference there of almost five or six million dollars in the respective claims of the company and of the Government on that one item. As far as maintenance of way and structures is concerned, our figures show a very much less amount than what they claim. I thought it might be interesting to you if you had before you just one concrete case to show you the way these things are going to occur and to show you the very great need of the Government getting expert men and seeing to it that its interests are adequately protected.

The CHAIRMAN. Your force is principally a field force.

Mr. THELEN. It is partly a field force, Mr. Chairman, and partly an office force. We handle the matter somewhat differently in the various departments. As far as the Department of Way and Structures is concerned, which consists largely of trained engineers, we have some field forces in connection with that work in addition to an office organization here in Washington. As far as the department of equipment is concerned, a very important department, they will handle all their work out of Washington. We do not have a regularly established field force, but we do send out from Washington the examiners who will make the necessary inspections, and so far as the

Department of Materials and Supplies is concerned, I think it is contemplated that that force will work out from Washington, but of course, they will have men in the field just as the comptroller also will have accountants out in the field.

The CHAIRMAN. Is it possible to give any estimate as to the length of time it will take you to complete this work?

Mr. THELEN. I wish that might be done. I know there are many people who would like to know, but frankly, I think that depends very largely on how quickly these railroad companies will present their claims. As far as the Government is concerned, if the present plans are carried out, we will be in position to handle with fair promptness and efficiency whatever comes to us, including the development of our own claims, but if these railroad companies do not present their claims promptly, there is no amount of readiness on the part of the Government that will help to settle those claims. For instance, I was talking the other day with the comptroller of one of the largest railroads in the country who was trying to get some money and Director Sherley handled him very nicely but did not give him the money and he then came around to me to see what could be done about the settlement of the claims because it had been suggested to him that the Government might have some claims against that company. He said before he left that he was going to employ some men to work up the data of the company as to both way and structures and equipment, but he thought that it might take him one year to present it. Now, that was one of the largest systems in the country, and I think it is reasonable to assume that it would take them longer to get their claims in shape than smaller companies, but I think it illustrates my point that we are more or less helpless in the matter, because we are so largely dependent upon when they present their claims. I think Mr. Hines's estimate that it would take at least one year to settle the principles and to make settlements with some of the larger companies is very conservative.

The CHAIRMAN. But, as I understand these estimates, Mr. Sherley, the question of the adjustment of the claims pro and con on the question of maintenance does not enter into it.

Mr. SHERLEY. The question of maintenance, either under or over, is not taken into consideration in this statement, Mr. Chairman, except the statement has been built on the assumption that depreciation would be owed in the quantity indicated. If by establishment of our claims for overmaintenance, depreciation would be thereby affected. I have this thought in mind, and the very road that Mr. Thelen speaks of illustrates it somewhat. I think those gentlemen may find it to their interest to speed the presentation of their claim if they find that being a creditor road and having been paid enough money to take care of their fixed charges and the protected items that are provided for in the act, that the balance of any moneys that may be due them they can only get after they have proved their case; in other words, I think that the Government is not entirely defenseless in having the railroads present claims.

The CHAIRMAN. That is, you want to consider the whole situation if possible at one time and clean up the slate.

Mr. SHERLEY. I do not think the Government can be called upon to pay out everything it admittedly owes until there has been an adjustment as to those matters which are in dispute, whether items

which we think they owe us or we owe them, and I think the Government is entitled to withhold moneys to protect itself against the need to otherwise collect legitimate claims which it thinks it has.

The CHAIRMAN. How much do you think, Mr. Sherley, you will be compelled to withhold, say, to the 1st of January on that basis?

Mr. SHERLEY. Mr. Chairman, we may have to withhold a good deal of money, but we ought to have it to withhold as a means of trading with these people.

MONDAY, APRIL 12, 1920.

TONNAGE CARRIED.

The CHAIRMAN. Mr. Hines, how does the tonnage carried in 1919 compare with the tonnage in 1918?

Mr. HINES. The revenue ton-miles for the calendar year 1918 were four hundred and three billions and for the calendar year 1919, partly estimated, three hundred and sixty-three billions.

The CHAIRMAN. How does that compare with the average ton-miles for the test period?

Mr. HINES. I will have to supply that information for the record.

The CHAIRMAN. My recollection is that when we had our hearings last spring I had a statement showing the ton-miles by months.

Mr. HINES. That began, I think, with April, 1916. My personal recollection is that we finally found that we did have the ton-miles for the June 30 fiscal years, but Mr. Parker thinks not.

The CHAIRMAN. If you find you have, you can put them in the record with a comparison so as to show the increase in tonnage under Federal control.

Mr. HINES. We will do that if we can get the statistics.

The CHAIRMAN. With regard to your freight, where you were carrying supplies for the Government, were those supplies carried on the same basis and at the same rates at which you carried freight in private shipment for private individuals?

Mr. HINES. Generally speaking that was true. With respect to some of the land-grant railroads, my recollection is a special rate had been followed prior to Federal control and also during Federal control, but generally speaking we handled the matter on the same basis on which it had been handled prior to Federal control, and where theretofore the Government had been charged the full rate it was charged the full rate during Federal control.

The CHAIRMAN. Taking the land-grant railroads where there was some provision with regard to a reduction in the freight rates during times of war, was any attention paid to that under Federal control or did their contracts provide that they should be compensated on the basis of the earnings for the prewar period?

Mr. HINES. The situation as to land grant railroads was exceedingly complicated. The land grant statutes, generally, provided for a reduced rate or in some cases free transportation over land grant railroads. The result of that was that where one road was a land grant road and a competing road was not, it greatly complicated the transportation. My impression is that a good many years ago the War Department had worked out with the railroads some agreed basis

for handling traffic, which may not have conformed in all respects with the letter of the land grant laws, but which gave the Government, on the average, as much saving as it would have got by a liberal application of those laws, and my impression is, and I want to say this subject to verification, that we applied the same rule during Federal control. I also want to investigate the question whether finally that was not modified on the thought that the amount of traffic handled during the war was so very heavy that it would be unduly burdensome to the railroads to require them to carry it on the basis on which it had been handled in peace times, and with your permission I will have that examined and give you an accurate statement because it is in my mind only in the vaguest way at present.

(For note on this subject by Mr. Hines, see p. 252.)

The CHAIRMAN. In looking over the hearings yesterday, it occurred to me that if the contracts or grants with land grant railroads were strictly carried out, it would have bankrupted some of the roads during the war.

Mr. HINES. Of course, after Federal control began, it ceased to be a matter of any concern to the railroad companies because they were paid the rental contemplated by the act of Congress. Up to December 31, 1917, it was a matter of serious concern. There is this practical consideration, however, that the land grant railroads are almost entirely in the West and the great concentration of war traffic was in the East, so there would be comparatively few of those western roads which would have had such a proportion of war traffic as to have been the dominating feature of their traffic.

The CHAIRMAN. How about your passenger traffic in 1919—was it as large as in 1918?

Mr. HINES. It was larger. The passenger traffic in 1919 partly estimated, was 46,200,000 passenger miles and in 1918, in round figures, 42,500,000 passenger miles. So that there was a very large increase.

The CHAIRMAN. What was the passenger-miles during the test period or the average for the test period?

Mr. HINES. That is in the same situation as the ton-miles. I will have that investigated and give you whatever we can get on that matter.

NOTE.—The following table gives the revenue ton-mile, and revenue passenger-miles for the years shown, the data not being available for the year ended June 30, 1917, the last year of the test period:

CLASS I RAILROADS.

	Revenue ton-miles (thousands).	Revenue passenger-miles (thousands).
Year ended June 30, 1915	$273,913,007	$31,789,928
Year ended June 30, 1916	339,870,324	33,645,908
Year ended Dec. 31, 1916	362,444,397	34,585,952
Year ended Dec. 31, 1917	392,547,348	39,361,369
Year ended Dec. 31, 1918	403,070,817	42,498,208
Year ended Dec. 31, 1919	362,962,480	46,115,070

INCREASE IN RATES.

(See p. 197.)

The CHAIRMAN. Mr. Hines, when we had our hearing before, as I recall, you stated that the increase in freight rates was practically 25 per cent and the increase in passenger rates was about the same. In looking over your annual report, submitted on February 28, I observe that you state that the increase in freight rates was about 28 per cent and in passenger rates about 28.4 per cent.

Mr. HINES. As I recall the statement made before the committee when I was here with respect to the former appropriation, it was a comparison between the rates put into effect by the Railroad Administration by its General Order No. 28 and the rates theretofore in effect; in other words, I was dealing with the increase made by that particular order. In my report to the President, I am making a comparison of the average rate for the year 1914 and the average rate for the year 1919, after these increased rates made by the Railroad Administration had taken effect, so that the increase shown in my report to the President includes not only the increase made by the order of the Railroad Administration but such increases as had taken place between June 30, 1914, and, you might say, June, 1918, because there were some increases made in the spring of 1918 on orders of the Interstate Commerce Commission before the Railroad Administration issued its General Order No. 28. That accounts for the discrepancy.

The CHAIRMAN. I was in error in quoting what you said with regard to freight rates. I observe that you state that the increase made in freight rates between 1914 and 1919 averaged for the country as a whole an increase of 34.4 per cent.

Mr. HINES. Yes.

The CHAIRMAN. It was that difference that I did not quite understand. I thought the increase in passenger rates had practically kept pace with the increase in freight rates in percentage.

Mr. HINES. No; that is not the case. Let me take, first, the increase made by the Railroad Administration's Order No. 28, made effective in June, 1918. My recollection is, and I will get Mr. Parker to correct me if I am wrong in my recollection, that the average increase in freight rates was estimated to be about 25 per cent by that order alone, compared with the rates in effect immediately prior to that; that the increase in passenger rates was slightly less than 25 per cent, but near it; but that increase in passenger rates included the one-half cent extra for passengers traveling in sleeping and parlor cars, which was in effect during the year 1918 but which was canceled with the end of 1918. So that the increase in passenger rates effective during the year 1919, as I recall it, we estimate that that represented an increase of about 18 per cent after there had been eliminated the one-half cent per mile extra for passengers traveling in sleeping and parlor cars; is that correct, Mr. Parker?

Mr. PARKER. Yes, sir.

Mr. HINES. During 1918, however, the increase included the one-half cent extra for passengers in sleeping and parlor cars and the percentage of increase was pretty close to the percentage of increase in the freight rates, or pretty close to 25 per cent.

The CHAIRMAN. But eliminating that, because it was optional with the passenger whether he traveled in the Pullman car or day coach, there will almost be about 10 per cent difference in the increase; that is to say, the increase in freight rates would be about 34.4 per cent, whereas the increase in the passenger rates was about 25 per cent.

Mr. HINES. This comparison I make in my report to the President eliminates that one-half cent because this is a comparison between 1919, when the half cent extra was not in effect, and 1914, and comparing 1919 with 1914, the estimated increase in passenger revenue per passenger mile was 28.4 per cent and the estimated increase in freight revenue per ton-mile was 34.4 per cent. There was that relation between the increase passenger revenue and freight revenue when that one-half of 1 cent extra in the sleeping cars and parlor cars was eliminated.

The CHAIRMAN. Mr. Hines, you have stated in your letter to the Secretary and also stated before the committee that for the 26 months the loss is $900,478,756.56. Assuming that in July, 1918, when the order was made increasing the wages of employees, there had been promulgated an order increasing freight rates sufficient to have made your operating revenue meet all your operating expenses plus the return to the railroad companies for the use of their lines, how much of an increase in freight rates would have been necessary?

Mr. HINES. While I am getting the exact figures, Mr. Chairman, I would like to point this out, that the increase in wages which was actually in contemplation and estimated at the time the rate increase was put into effect in June, 1918, was very much less than the increase in wages in effect to-day, because it was a matter of development throughout the period of Federal control as it was in every private industry, because wages have been repeatedly readjusted in private industry on account of the cumulative effect of the conditions brought about by the war. The order increasing rates which was effective June 10 as to passenger rates and June 25, 1918, as to freight rates, was formulated in the early part of May because there had to be approximately 30 days' notice of the freight rate increases, so that it was made on the basis of the information we then had and the forecast which we could then make.

The report of the Lane Commission with reference to wages on which our original General Order No. 27 was based, which was our wage order, was then available; we had that as a basis for estimate. It was understood, however, that that would not meet the wage situation completely because it did not undertake to give consideration to the competitive conditions in other industries. It simply took the increased cost of living as a basis, and on that basis it gave the employees with the lowest wages an increase corresponding to the full increase in the cost of living and then scaled that down as the wages for employees increased. It was understood that that would not take care of the competitive conditions, and so when that order was promulgated the board of railroad wages and working conditions was created to consider wage questions which arose on account of competitive conditions in other industries, and also which might develop on account of inequalities as between different classes of railroad employees.

That work was not begun when our rate increase was made in May, 1918, and it was impossible to foresee the magnitude of it.

Like a great many other things connected with the war, it was beyond the power of human foresight to forecast what was involved or where it would lead. The result was that when that board got to work and got to investigating the conditions prevailing in other industries and the practical necessities of the situation, it then began making recommendations which served as a basis for supplemental orders. The first one came along, as I recall, in July, which was two months after the rate increase had been formulated and related to the shopmen and involved a very substantial increase over what the Lane Commission had recommended, and that grew largely out of the fact that the shopmen, particularly, were a class affected by the competition of other industries. The shipyards, the munitions plants, and industries of that general description were using the same sort of labor as the shop labor and were paying very much higher rates than the railroads. That came along two months after the rate increase had been formulated and represented a very substantial increase which could not be foreseen. Then in the latter part of September supplemental wage increases were made for the maintenance of way employees, the clerks, the station labor, and a great miscellany of railroad employees, and all this was not foreseen in May; and then effective November 1 increases were made for the telegraphers and station agents, and along in the spring of 1919 increases were made for the train and engine men. So I think there is this element to be considered, in answering your question, that when the rate increase was formulated in May, 1918, the effect of future wage increases could not possibly be foreseen; but on the assumption that they could have been foreseen and that we could then have prophesied accurately as to what the wage increases would thereafter amount to, I can give you an estimate as to what rate increase would have been in order if we had been able thus to look into the future.

The CHAIRMAN. Mr. Hines, while that data is being collected, touching this same question, you have laid particular stress, both in your hearing and in your report to the President, on the fact that the loss to the railroad companies as a whole would have been more under private control than the loss has been to the country under Federal control, that loss having been made good by appropriations out of the Treasury, if I understand your position with regard to Federal control.

Mr. HINES. To restate that, Mr. Chairman, I will put in this way: That the cost of railroad operation under private control would, in my judgment, have been more than the cost under Federal control and, of course, that cost would have to be borne by the public in one way or another in either event.

The CHAIRMAN. Is not this true, taking the question of wages where a very large increase in operating costs is seen, when you are operating a system as a whole covering every first-class railroad in the United States, when you increased the pay of a railroad man who lived in Philadelphia or New York or some other shipping center to meet the competition there, you had to increase like employment at points where there was no competition at all, and I realize that to cite individual cases has certain weaknesses, because they may not be at all typical, but still that tends to give some indication as to what might be the result of a study of every railroad system and of every employment. For instance, in my own State, I have taken four *railroads*, all interurban railroads, using electricity as the motive

power, two under Federal control, the Waterloo, Cedar Falls & Northern Railroad and the Fort Dodge, Des Moines & Southern Railway Co., and two under private control, the Cedar Rapids & Iowa City Railroad Co. and the Clinton, Davenport & Muscatine Railroad.

Two of these railroads, the Cedar Rapids & Iowa City Railroad, and the Waterloo, Cedar Falls & Northern, both go into my own city and both use a common terminal. I was interested in knowing, because of some complaints I had heard at home, as to just what the difference in the wages paid on these lines was. They were both operating under exactly similar conditions, except one was under Federal control and one was under private control, and a study of these four railroads brought about this analysis: Small station attendants, under private control, received $90 per month during 1919, and under Federal control similar attendants received $120 a month; motormen under private control received 50 cents an hour and under Federal control 75 cents per hour; conductors on roads under private control received 50 cents an hour and under Federal control 75 cents an hour; superintendents, substations, under private control, $165 per month, and under Federal control $530 per month, and so on. I will put this table in the record without reading all of it.

(The table referred to is as follows:)

Comparison of salaries and wages, 1919, Federal and private control of interurban railways.[1]

Class of work.	Private control.	Federal control.	Per cent of increase of Federal control over private.
Small-station attendants........per month..	$90.00	$120.00	33.33
Motormen........per hour..	.50	.75	50.00
Conductors........do....	.50	.75	50.00
Freight-service employees........do....	.55	.76	38.18
Clerks........per month..	95.00	100.00	5.26
Section men........do....	.32	.40	25.00
Bridge repair men........do....	.32	.53	65.63
Superintendent, substation........per month..	165.00	530.00	221.21
Blacksmiths........per hour..	.45	.72	60.00
Electricians........do....	.50	.72	44.00
Carpenters........do....	.50	.72	44.00
Car inspectors........do....	.45	.67	48.89
Laborers........do....	.33	.40	21.21

[1] This table was compiled from reports furnished by four interurban railways, two of which were under private control and two under Federal control.

The CHAIRMAN. Now, those matters have been talked about by business men, especially when their attention has been called to the wages paid by two systems which are operating without any serious labor difficulties. I do not mean to say it was not necessary during the war, but I wanted to get your opinion on this point: That in order to meet competition at shipping points or at places where there were large activities with regard to the production of war supplies and materials, you had to put into effect a wage scale that affected thousands of railway employees who were not demanding a wage increase, and that increase, in turn, upset local conditions, so far as the industries were concerned, so that by raising rates of pay under Federal control you brought to the industries in the interior of the country the same problem that confronted industries at the points where there mas a great demand for production and, consequently, a very unusual wdeand for labor, which resulted in a very large increase in wages.

Is it not true that if these roads had been permitted to operate—many of these roads not affected by the Shipping Board or munitions manufacturers—they could have run much more cheaply and employed their labor at a much lower rate of pay?

Mr. HINES. Mr. Chairman, as I pointed out the other day, the instances where this standardization worked to create wages higher than normal, of course, are the ones that have come to light and are commented on but the instances where the standardization worked the other way and kept wages on a lower scale than in competitive industries naturally are not stressed.

To start with, in regard to this comparison you make here, let me say that this extreme situation as to the superintendent of a substation I want to investigate before I make any comment, except to say that for an officer—and, of course, a man in that position is an officer—the question of pay there would depend largely upon the scope of his duties and responsibilities, which could not very well be classified, and that the pay of that officer under Federal control was not on any standardized basis but represented the judgment of the local people as to what the conditions called for, and I do not think it would throw any light on our discussion here. I would want to ascertain the facts as to why a salary of that amount was paid to that officer; maybe it was too much, maybe it was not, but in either case it represented an exercise of judgment entirely apart from the general policy of paying wages, because he was an officer and not an employee. Now, coming to the employees——

The CHAIRMAN (interposing). Of course, the point I was making was that he could be classed as an officer when he received $165 a month under private control just as much as he could be classed as an officer when he received $530 under Federal control.

Mr. HINES. But in either event he is an officer. Now, in the first place, an officer is not standardized under Federal control. An officer is supposed to be paid what it is necessary to pay in order to get proper service and is not controlled in any way by the wage orders. So what he is paid really throws no light on the wage situation. In the second place, it is very hard to compare two officers on two different railroads, simply because they have the same title. I would want to look into the facts and, as I say, that may have represented a serious mistake of judgment on the part of the regional director who approved that salary; on the other hand, there may have been a difference in duties and responsibilities which justified the difference. But whatever is the explanation of that I do not think it throws light on this wage question because it was not a wage matter; it was a salary matter.

An officer has such responsibilities that really you can not very well compare one with another simply because they have the same title. But coming to the employees, this represents an extreme case in this sense, that Federal control dealt primarily with systems of steam transportation; it was an exception when an interurban line was taken over. One of the arguments we used in dealing with this problem was that we ought to construe the President's proclamation so as not to take over the short railroads in various parts of the country for the very reason that if they were taken over it would involve a standardization of wages which would bring them out of line with other purely local railroads. This represents an extreme

case where this railroad was taken over and where the very disadvantage arose that we pointed out as a reason why we should avoid taking over the shorter railroads wherever it possibly could be avoided.

But after all, this matter of standardization was by no means a matter entirely with the Railroad Administration or with the Government, because it had proceeded very far even prior to Federal control. You take a railroad from New York to Chicago. Any rates of pay it would establish would almost surely be standard for its entire road, and they would, therefore, import into the Chicago district the rates being paid in the part of the country where the war industries were most active and where the wages were the highest. The railroad systems running out of Chicago went, some of them, to the Gulf of Mexico and the Pacific Ocean, and their rates were practically standardized, so that you would have gotten, to a very large extent, a standardized influence and the influence of the wages in the part of the country where wages were the highest. In fact, you had on the Atlantic Coast, on the Gulf Coast, and on the Pacific Coast these shipyards which were establishing very high rates of pay for men in the mechanical trades, and they would have had their reflex action not only at those points but at every point on those railroads, and since the railroads reaching those points practically reached every other place in the country it would have spread over the whole country.

While the standardized wages which the railroads paid may have been higher than the wages locally paid by these railroads, in many instances, and by other local industries, yet those standardized wages were lower than were paid in many of these competitive industries. You take the shopmen, for example. The basic rate established by the Railroad Administration in July, 1918, was 68 cents an hour, while the basic rate established in the shipyards was 80 cents an hour; in September, 1919, when we readjusted that rate and made it 72 cents an hour the basic rate in the shipyards on the Pacific coast had been increased, as I recall, to 88 cents an hour. My judgment is that while a great many instances can be pointed out where this standardization worked upward that, on the other hand, the very fact of a practically universal standardization kept down the basis very much below competitive rates in other industries in many parts of the country. Since the railroads are so interrelated—a railroad goes from New York to Chicago, a railroad from Chicago to Galveston and a railroad from Chicago to San Francisco—if a given railroad had to establish a higher basis on its line corresponding more closely with these competitive conditions, that rate would have gone pretty generally over the country, even under private control. Of course, it is a matter of estimate. My own best judgment is that the average increase is less than it would have been without the benefit of Federal control. Now, somebody else may have a different opinion, but my judgment is that these things are so interrelated and so close to standardization anyhow that the influence would have been felt, and probably would have been felt to a greater extent.

As to some classes of railroad employees there was a very wide standardization prior to Federal control. This was true particularly of the train and engine men; they had, broadly speaking, three standard rates of pay, one in the East, one in the South, and one in the West, and what was done in any one of them had an influence

on the others, and what was brought about by influences at Chicago, San Francisco and other points of very high wages influenced every intermediate point of the class one railroads. So that taking the class one steam railroads I believe that the results were at least as satisfactory as they could have been under private control. Of course there are exceptional cases, and the case you mentioned is one where the Government took over an interurban road and thereby projected the standardized basis to it and did bring about an exceptional case of discrepancy between that and the other interurban railroads. But that is the exception and we strove very hard to keep from taking over those roads for that very reason, that it would upset unnecessarily the wage basis.

The CHAIRMAN. I did not attempt to select an exceptional case, and I was compelled to take, in trying to make a little study of the situation, an electric road because all the steam railroads that I know anything about in that vicinity had been taken over by the Railroad Administration and there would have been no basis for comparison. So I simply took those roads operating in the same locality, one under Federal control and three under private control, in order to get a bird's-eye view of the situation.

Mr. HINES. It has worked out an exceptional condition for that reason and, of course, these rates were necessarily established with reference to steam railroad conditions. As I suggested the other day, there are probably two parts of the country where this standardization made a particularly extreme change, and that was in New England and the Southeast; but for the country as a whole I do not believe that the railroads could have gotten out with a lower average wage basis than the Railroad Administration did, and my thought about Federal control, on the whole, costing less than private control is due to my belief that while costs on the average generally were as low, there were at the same time certain economics of unification which under private control would not have been enjoyed.

The CHAIRMAN. I think you will find these figures correct, because they are figures given to me by the auditors or general managers of the various roads.

(NOTE BY MR. HINES.—While an investigation is being conducted into the details of the salaries and wages mentioned, a report received by the Director General, Mr. Hines, from Mr. C. D. Cass, general manager of the Waterloo, Cedar Falls & Northern Railroad, the property mentioned as having been under Federal control, is to the effect that during 1919 there was no superintendent of substation on the property drawing $530 per month and, in fact, that there was no official or employee on the property drawing that amount, the highest salary of any officer or employee having been paid to Mr. Cass as general manager and that salary being $6,000 per annum. Prior to Federal control Mr. Cass received $12,000 per annum. If possible, a communication will be sent by the Director General to the chairman later concerning the details of the other wages given in the table presented by the chairman.)

(NOTE BY MR. GOOD.—Attention is called to the fact that an examination of the detailed information upon which the comparative table in question is based shows that substation operator pay per month on the Fort Dodge, Des Moines, & Southern Railway was $120 per month under private control (1917) and reached a maximum of $530 per month (1919) under Federal control.)

TOTAL WAGES PAID, TEST PERIOD, 1918 AND 1919.

Now, with regard to the increase in wages, I wonder if you can give us in tabular form the total wages paid to employees for the average of the test period, the total wages paid in 1918, and the total wages paid in 1919?

Mr. HINES. I will give that as completely as possible. It may be somewhat complicated by this change in the fiscal year, from the June 30 year to the calendar year, but I will give you the best available figures on that.

(The table follows:)

TABLE 1.—*Showing total wages paid employees for the average of the test period, total for 1918 and total for 1919.*

Total compensation of employees Class I railroads:	
Year ended—	
Jan. 30, 1915	$1,134,665,975
Jan. 30, 1916	1,366,100,518
Dec. 31, 1916	1,468,576,394
Dec. 31, 1917	1,730,057,342
Dec. 31, 1918	2,581,884,559
Dec. 31, 1919 (partly estimated)	2,744,000,000

NUMBER OF RAILWAY EMPLOYEES.

[See p. 90.)

The CHAIRMAN. In discussing employment you laid particular stress upon the hours of service rather than the number of employees who were employed and, as I recall, when you made your statement last June, the information available then would not permit you to give the increase in the number of men except as it was considered along with the hours of service. Is that true now?

Mr. HINES. Well, I can give an estimate both as to the increase in the number of employees and as to the increase in the hours, for which payment was made, for the years 1916, 1917, 1918, and 1919, and that is included in my report to the President on page 21. I referred to that in my statement before the committee a few days ago, and I could incorporate that table, if you wish.

The CHAIRMAN. I wish you would.

(Said table follows:)

Class I railroads.

	Calendar years.			
	1916	1917	1918	1919, partly estimated.
Number of employees	1,647,097	1,723,734	1,820,660	1,891,607
Equated hours worked	5,189,790,716	5,406,878,384	5,641,820,405	5,126,142,664
Revenue ton-miles	362,444,397,129	392,547,347,886	403,070,816,694	363,240,000,000
Passenger miles	34,585,952,026	39,361,369,062	42,498,248,256	46,200,000,000
PER CENT OF YEAR 1916.				
Equated hours worked.......per cent..	100	104.2	108.7	98.8
Revenue ton-miles.............do....	100	108.3	111.2	100.2
Passenger miles..............do....	100	113.8	122.9	133.6
Average hours per employee per month.	263	261	258	226

NOTE.—The time worked for about 11 per cent of the employees is reported on a daily basis and in order to equate these days to hours, it has been estimated that these employees have worked on the average 10 hours per day for each of the years covered by the table. As a matter of fact, the hours per day of some of these employees reported on a daily basis were less in 1919 than in previous years on account of the establishment of the 8-hour day, but in the absence of accurate statistics, all have been assumed to work 10 hours per day in 1919 as well as in the previous years, thus making the showing slightly less favorable to 1919 than it would be if the exact hours worked by daily employees were available.

EIGHT-HOUR DAY.

The CHAIRMAN. Your experience has been—from what you say in your statement—that in revising the hours of service from 10 hours to 8 hours per day as the standard day you do not get as much work from a man, on the average, in 8 hours as was formerly obtained in 10 hours?

Mr. HINES. That is my judgment, broadly speaking; that is, that a man does not do as much work in 8 hours as he formerly did in 10 hours. I have talked with some of our Federal managers who have felt that the amount of work done per hour by the maintenance of way forces had increased on account of the shorter working day, but they do not claim that they get as much work in 8 hours as they had formerly gotten in 10.

The CHAIRMAN. When the Adamson bill was before the Congress it was strenuously contended that by reducing the working day from 10 hours to 8 hours a man would perform as much work in 8 hours as he had been able to perform in 10 hours, and that he would be given 2 hours more of rest. To what extent is it your opinion he is not able to do that?

Mr. HINES. Well, the discussion as to the Adamson Act really turned upon a matter that was in the control of the management rather than in the control of the employees; that is, a man in the road service, a trainman or engineman, was on the road as long as it took the train to get over the division. I think the argument which the employees made was that if the day were shortened in that way the railroads would speed up the freight trains so as to get them over 100 miles in 8 hours instead of in 10 hours; in other words, that the railroads would increase the speed of a train so as to average 12½ miles an hour instead of 10, that being a matter very largely in the control of the railroads rather than the employees, and that there was no reason why they should not run the trains at an average of 12½ miles an hour, and that therefore they could comply with this law without being burdened.

My own judgment as to that argument is that it is not the correct argument; that if the trains are speeded up it means a reduction in the tonnage, and a reduction in tonnage means an increased cost. The average speed at which a train moves is very largely dependent on the unavoidable delays that a train encounters on the road, and no matter how much you reduce the tonnage of a train it still has those unavoidable delays on the road, and by reducing the tonnage and increasing the number of trains you make more meeting points. The meeting points increase in proportion to the square of the number of trains, so that the meeting points increase very rapidly and thereby you introduce more elements of delay. So I did not think it was feasible, either from an economic standpoint or from a practical standpoint, to speed up the trains so as to offset that delay, and I think their argument was based largely on that consideration.

Coming to the general subject, as I say, my judgment is that so far it has not been shown that a man engaged on work for which he is paid by time—I am not talking about the road service, where it really depends on how fast the train can get over the road, but

where a man is paid by time and where he can control the amount of his output—there has been nothing to show yet that on the average the employees will produce as much work in 8 hours as they did in 10. I do not think, though, that in any line of enterprise the war conditions are a fair basis for estimating what can be done, because the testimony is practically universal that the psychological conditions created by the war have led to less effective work everywhere, no matter what the length of the day is, and I get the impression that business men in private industry complain of a greater relative decline in efficiency than has been evidenced in railroad work. So I do not believe there has been a fair opportunity to test the extent to which an increased efficiency per hour would result from a reduction in the working day. My judgment is that when things settle down there will be found to be an increased efficiency per hour, and some of our Federal managers have already commented on accomplishing that with respect to section gangs, but whether it will amount to offsetting a reduction of two hours a day has not been shown and it is very doubtful whether it will ever come to the point of offsetting it completely.

OVERTIME WORK.

The CHAIRMAN. Now, with regard to the movement of the trains as now operated, where time and a half is allowed for overtime, I believe.

Mr. HINES. Yes.

The CHAIRMAN. Is not that an incentive to the men who have charge of the movement of trains to waste time at way stations and at other stations in putting on freight and receiving passengers instead of running their trains on schedule and getting to their destinations within eight hours or within the time limit, with the result that you have created an incentive to have overtime on all the runs?

Mr. HINES. First, let me say that the time and a half for overtime does not apply to passenger trains, but it applies only to freight trains. The argument you mention has been very strongly urged, and I gave a great deal of consideration to that. Of course, an incentive exists there, as it does where punitive overtime is paid in any sort of work, to endeavor to drag the work along. However, I think it is largely exaggerated, and that it is largely subject to control by proper supervision. On the other hand, if time and a half for overtime is not allowed it tends to diminish the interest of the management in getting a train promptly to destination, so that you have an argument each way. I reached the conclusion, after giving that the most earnest consideration, that everything considered it would be in the interest of just dealing to allow that time and a half; I reached the conclusion that that was justifiable as a compensation measure, to a large extent, because the men in the slow freight service—and that is where this time and a half for overtime has its operation—were men whose pay was relatively small, and they are at an expense away from home, running, perhaps, $20, $25, or $30 a month, which they have to pay out of their own pockets, and the actual pay which they get for the heavy work they do, it seemed to me, was not a fair pay, and that the more practical way of adjusting the matter was to pay them this additional time for their long hours rather than to increase

their basis of pay which would inevitably have increased the basis of pay of some others.

The CHAIRMAN. Would you not have achieved that result, and even a better result, by offering a premium to those who made the run on schedule rather than to give a premium to those who were short or delayed the bringing in of the trains?

Mr. HINES. I seriously considered that and discussed it with a great many practical railroad people. The difficulty is that there is no way in the world by which you could determine whether a man could have brought a train in on time. If he did not he would say he was entitled to his premium because he was prevented from doing it by the act of a train dispatcher; that the train dispatcher had made him take a siding sooner than he should have done or that the train dispatcher did this, that, or the other thing. So it seemed utterly impracticable to separate the responsibility there in such a way as to apply that premium. After all, my judgment is, after discussing it with railroad people, that the delay on the road is much more a matter in the control of the management than it is in the control of the crew. Of course, it is possible for a crew, by a sort of conspiracy among themselves, to lay out the train and cause a delay, but with the best intentions on the part of the crew the ability with which they can get over the road is dependent on a great many things entirely beyond their control. So I reached the conclusion that that premium was utterly impracticable of administration. I was very much interested in the thought because, if practicable, it would have been a very desirable thing.

Mr. BYRNES. What are the things beyond their control—the train dispatcher's work in having them side-tracked and holding them longer than usual, or what?

Mr. HINES. They are some of the things. Of course, if the train is too heavily loaded, that is beyond their control; if the locomotive is not steaming well, if it is not in good condition when the run starts or develops trouble on the run, that is beyond their control; if a car breaks down, that is beyond their control; if there is trouble about getting water, that may be beyond their control, and what happens to any one train on the road may operate to slow down every other train on the road. So it is an exceedingly complex thing, and I could not find any practical railroad man that I talked to who could offer any way to work out that premiumplan. It would have been a source of complaint, dispute, and turmoil, because the employees would have always felt they were being kept out of their premium by some error of judgment or something beyond their control.

The CHAIRMAN. I have not had practical experience in traveling, but in talking with men who are traveling men I have heard it is a common thing for the members of a crew to joke each other about not working too hard, that if they get out too soon they will not get enough overtime, and that that is a common occurrence among men who are engaged in moving local freight.

Mr. HINES. Well that is a possibility, of course, but the same thing existed before, because they were paid for overtime then, although on a pro rata basis.

Mr. BYRNES. And that may be the habit of the men in teasing each other?

Mr. HINES. But viewing it broadly, and in view of the supervision that can be accorded, I do not believe that is the important element, and after studying the thing from every standpoint—I do not believe there was any one problem to which I gave as much personal thought as that—I reached the conclusion that this was a better way to accomplish substantial justice than any other that could be devised, and represented less cost on transportation, and that the possibilities of abuse would be largely subject to control by adequate supervision.

The CHAIRMAN. How general has been the payment of overtime to men employed in the movement of freight?

Mr. HINES. You mean how much overtime has been paid?

The CHAIRMAN. Yes.

Mr. HINES. I would have to refresh my mind as to the statistics on that, and I would be glad to put in a table about it.

The CHAIRMAN. I wish you would, showing the increase or decrease in overtime under Federal control as compared with the average for the test period.

Mr. HINES. If the information is available, but I doubt very much if that information is available for the test period. I do not think the commission called for statistics which show that. Of course, the Commission on Wage Statistics has been a matter of development in recent years and it has not reached the point of covering all these matters that are of so much importance. I take it that the new Labor Board will develop a much more complete scheme of statistics based on the experience of recent years, but I will give you what I can on that. I might say that the amount of overtime is largely affected by weather conditions, and in bad weather the delays are substantially more than in favorable weather.

Let me add that I find on investigation that there are no available statistics as to the amount of overtime in road freight service for the test period. It is likewise true that statistics of this character are not available for the period of Federal control. None of the labor statistics prescribed by the Interstate Commerce Commission have called for report of the facts on this matter. Certain estimates were made of the amount of overtime for train and engine men in freight service in the calendar year 1918 and these estimates indicated that during the year 1918 the amount of overtime was about 23 per cent of the total time. But there are no figures which would admit of a comparison of this estimate for 1918 with any prior or subsequent period. The time and a half for overtime in road freight service was not made effective until December 1, 1919.

INCREASE IN RATES.

(See p. 186.)

Mr. Chairman, going back now to the question you asked about the increase in freight rates, if, when we made this rate increase effective in June, 1918, we had added enough to take care of the excess of expenses over revenues, as I have outlined them, for the whole period of Federal control, both before and after the rate increase, it would have required approximately an additional 14 per cent increase in revenues for the period from July 1, 1918, to March 1, 1920, to offset the excess in expense over revenues for the entire period from January 1, 1918, to March 1, 1920. In that connection I would like to em-

phasize the important part that is played in the consideration of the matter by the increase in expenses which took place before the rates could be increased. An interesting illustration of that is the fact that if this rate increase could have been made effective January 1, 1918—that is, the 25 per cent rate increase that was actually made effective in June, 1918—there would have been no deficit at all up to the end of October, 1919. That is to say, the revenues for the period from January 1, 1918, to October 31, 1919, would have been in excess of the expenses of operation by about $14,000,000, and then the only deficit occurring during the period of Federal control would have been that growing out of the coal strike and the abnormal conditions which have confronted us since the coal strike; so that in making an estimate of this additional 14 per cent there is necessarily involved in it the idea that we would be making the traffic for the future pay for expenses which had been incurred before the rate increase could be put into effect.

The CHAIRMAN. While that is true, you also, in arriving at this figure of $900,475,756.56 as the loss in operation, have eliminated a great many contingencies that, it seems to me, may sooner or later develop into liabilities. For example, you seem to think that we will have as an asset $861,963,932 of railroad obligations to the Government, but if we should sell them to-day, I doubt if we could get 50 cents on the dollar for them. If you wanted to clean up this thing now, and put all the money you could back into the Treasury, and should undertake to sell these assets and wind up the business, I doubt if you could get over 50 cents on the dollar for them. Now, in order to arrive at that figure of $900,000,000 as your loss, you are carrying all of those obligations at par, althought it must be evident to you that you will never receive 100 cents on the dollar for all of them. For instance, taking your best security, Liberty bonds and Victory bonds, if they were sold to-day you would have to take a loss. Now, what you say about the labor strike is true, because that was a serious thing, but we have always had strikes. You say that you have had hard winters, but we have always had hard winters.

Mr. HINES. We never had a Nation-wide coal strike before.

The CHAIRMAN. No, but we had have Nation-wide strikes before.

Mr. HINES. I do not know of any.

The CHAIRMAN. Going clear back to 1876, we have had strikes that have affected very materially transportation by railroads. Then, we have had things in the past that you have not experienced very much difficulty with, so far as the railroads were concerned—that is, we have not had during this period of Federal control severe floods, washing away bridges and railroad tracks by the miles and hundreds of miles. That is something you have escaped, and you have been very fortunate in that respect.

Mr. HINES. I should say that, taking the country as a whole, we got the full average cost due to bad weather under Federal control.

The CHAIRMAN. Then, you have had the most abundant crops that the country ever saw. You have had them to haul, whereas in former years we have had occasional crop failures, so that the railroads did not have so much freight to carry. You have had such an abundance of material to carry at rates that were unprecedented in the history of the country that you have had your blessings along with the adverse conditions that confronted you.

Mr. HINES. The rate has been unprecedentedly low as compared with the value of the material carried, because the value of the material carried has increased in such large proportion that the rates charged under Federal control have been much lower, expressed in terms of the value of the things carried, than ever before.

The CHAIRMAN. I have been under the impression that, owing to your increase in wages, right at the beginning there ought to have been a much more generous increase in rates because of the increase in the value of the things carried and the greatly increased cost of the service. While I realize the problem that confronted the director general, it has seemed to me all along that if rates had been increased to a point where they would have more nearly met the operating expenses, plus the rentals, you could then be in a position to turn the roads back to the owners with less disturbance than to turn them back at a time when, after you had taken them over, you had readjusted the pay of every man out of proportion, and, also, at a time when we were compelled to go to the people to raise money by bonds to run the Government. Our revenue law itself carried an increase of freight rates in order to meet the expenses of the war, and now we are compelled to sell bonds to meet the deficit from the operation of the railroads.

It looks to me like we have been working at cross-purposes. In the first place, we ought to have seen to it that the railroads collected enough to pay the expenses of operating the railroads, with perhaps a margin of safety, because the money so collected went into the Treasury of the United States. Then, in addition to that, we were collecting taxes on freight in order to get money to put in the Treasury. Of course, from your statement I think it is obvious to you that some increase in freight rates or passenger fares will be necessary in order to allow the roads to pay operating expenses and a fair return on the value of their property. That being the case, a great many people who are inclined to be unfair will say that during Federal control you operated the railroads and paid a higher return to the railroad companies under a much lower rate than they will have to pay under private control. They will not think about this $900,000,000 deficit, or any additions that will be made to it under the settlements that will follow. They will forget that in playing it up to the public and will never mention the loss to the Federal Treasury. Is that true?

Mr. HINES. I think that the loss will be mentioned for a long time to come. I do not think there is any danger of that being overlooked. Let me say this, that in May, 1919, when we formulated this rate increase, we had the benefit of the most competent expert advice in the country as to the probable increase in expenses and as to the probable increase in rates that would be necessary to meet them; that increase was believed to be sufficient to meet the increase in costs, to pay the rentals, and leave a margin for safety. It represented the very best judgment we could form at that time. The fact that we did not foresee the extent of the increase was due to the fact that we did not have the gift of prophecy, and that nobody could take into his consideration a true estimate of what this war was going to bring about. So that the fact that the increase was not enough to take care of the subsequent increase in costs was a thing that could not have been prevented at that time.

Now, when we got to the point where those additional increases began to develop and where we could estimate them, and that is always a thing that comes after the fact, it was then just a practical question, as I explained to you the other day, as to whether, either in the spring, summer, or fall of 1919, we ought to make an increase in rates. It is perfectly clear that there would have been no basis in 1918 for making a larger increase than we did make, because it appeared from everything we could then foresee that it would take care of the increase in expenses in prospect, pay the rental, and leave a margin for safety. In 1919, as I explained my views the other day, and I am still perfectly clear on that point, with all of the disadvantages growing out of the fact that the revenues were not equal to the expense, the situation was better than it would have been if we had undertaken to make a general increase in rates, either in the spring, summer, or fall of 1919.

With reference to the amount of business during Federal control, it is important to remember that the year 1919 was an exceedingly unfavorable year from the business standpoint. We did not have a normal business, month by month, but we suffered first from a famine and then from a feast of freight traffic and both were costly. The first six months represented an extraordinary and prolonged slump in business, without the possibility of correspondingly cutting down the expense. The next four months represented an extraordinarily heavy business performed under conditions of great pressure and the last two months represented an extremely abnormal condition of great disruption of traffic growing out of the coal strike. Taking the year 1919 as a whole, the freight business was in excess of that done during the years ended June 30, 1915 and 1916, but was considerably below that done in the calendar years of 1917 and 1918.

The year 1919 was a year of rapid fluctuations in conditions and these fluctuations were so rapid that in my judgment it would have been impracticable to formulate and put into effect, through the usual procedure before the Interstate Commerce Commission, any rate scheme which would have fairly reflected the conditions prevailing at the time the rates were put into effect or the conditions which could then have been forecast; and the public sentiment, as manifested both in and out of Congress, was such that it would not have been practicable to establish rate increases by the use of the President's emergency war powers and without full and deliberate investigation by the commission. The rates which had been established in 1918 appeared to be adequate to provide for the situation, as it could be foreseen in May, 1918, and leave an ample margin of safety. The subsequent developments in the way of further increased wages and prices would not be foreseen in May, 1918 and could not be measured even partially until the spring of 1919, and then the rapidly fluctuating conditions made an intelligent and reliable rate increase out of the question for the reasons I have already explained.

Mr. BYRNES. Did I understand you to say that if the increase in revenues had been made effective as of January 1, when the increased wage took effect, you then would have operated without a loss until October, 1919?

Mr. HINES. To October 31, 1919, or for 22 months of the 26 months of Federal control, we would have operated without a deficit.

Mr. BYRNES. Notwithstanding the continued increase in wages after May, 1918, you could, with the increased revenues from that increase of 25 per cent, have run the roads without any loss until October 31, 1919?

Mr. HINES. Yes, sir.

Mr. BYRNES. As I recall, when you were last before the committee you made a statement about the average increase in the cost of materials, supplies, and labor as slightly exceeding the average increase in revenue. If you will remember, you made a statement as to the average increase in materials and supplies and in labor, and in expressing it in dollars and cents, as I remember it, you stated that the increase was in the proportion of $1 to $1.42, $1.42 representing the increase in the cost of labor and material over and above the prewar period. What I am trying to ascertain is how you could get along with an increase of only 25 per cent and meet this greatly increased cost of material, supplies, and labor during 1918 and 1919.

Mr. HINES. The explanation of that is that our increased cost was on a gradually ascending scale, and it was gradually overtaking the increase in rates, unless the increased business and the economies of Federal control could offset that increase. It was speculative as to how far it would offset it, but if we had had this rate increase in effect from January 1, 1918, while, of course, for a part of 1918 it would have given us a considerable margin, it would have been eaten up by degrees as we went along later in the period; but there was always the question as to the extent to which a large business would offset the fact that wages and materials had increased in a much higher percentage than the rates. That was illustrated by the fact that, despite the cumulative effects of the wage increase in July, August, September, and October, 1919, after practically the whole of the wage increase was in effect, we were running so close to taking care of our expenses with the existing rates that we would have had a very small deficit. During the rest of the year, with less than a 25 per cent increase on the condition of the showing from July to the end of October, we would have had a surplus instead of a deficit.

Mr. BYRNES. Do you remember how the tonnage fell off during the months of the coal strike?

Mr. HINES. I know that it fell off very materially. Of course, the tonnage of bituminous coal was reduced very largely, because 60 per cent of the production was cut out by the strike.

Mr. BYRNES. I think you stated that coal constituted about one-third of the freight transported, or was it one-fourth?

Mr. HINES. The number of tons of coal transported represents about one-fifth of the total tons of freight transported, but the coal strike had its effect in a great many ways beyond the loss of coal tonnage. It necessarily involved the displacement of a great deal of other traffic in order to handle coal to abnormal destinations, and, as the effects of the strike began to accumulate, the effect upon railroad operations were increasingly bad. For the two months of November and December, 1919, our deficit was $114,000,000, and my best judgment was that with the favorable developments from July to October, inclusive, nearly all of that would have been obviated but for the coal strike, which was an element growing out of the unprecedented labor disturbance.

Mr. EVANS. I am not quite clear as to the dollars and cents of the proposition. You say that had your increased rates, which went into effect in June, been effective on the 1st of January, 1918, you would have had no deficit by October, 1919. Now, can you tell me in dollars how much in revenue you would have secured if that rate had been in effect during the months beginning with January up to June, when it did go into effect?

Mr. HINES. If the rate increase had been effective January 1, 1918, instead of June, 1919, we would have secured approximately $494,000,000 of freight and passenger revenue more than we did secure by having the rates go into effect in June.

Mr. EVANS. Therefore, by October, 1919, you were running behind approximately $495,000,000?

Mr. HINES. What we ran behind by October 31, 1919, was $480,000,000, so that we would have been $14,000,000 ahead. I am speaking now of class 1 roads.

OPERATING REVENUES AND EXPENSES, 1918 AND 1919.

The CHAIRMAN. Can you put in the record a statement of the operating revenues and operating expenses of class 1 roads for 1918 and 1919 and the average for the test period, bringing the table found on page 47 of the former hearings down to date?

Mr. HINES. Yes, sir; I will do so.

(The table follows:)

Revenues and expenses of class I roads and large terminal companies during 1919, 1918, and annual average of test period.

[Interstate Commerce Commission Monthly Summary.]

	Calendar year.		Annual average of test period.
	1919	1918	
Miles operated	233,992	234,305	230,493
Operating revenues:			
Freight revenue	$3,556,734,573	$3,458,190,626	$2,369,054,426
Passenger revenue	1,178,119,954	1,032,671,429	685,680,703
Other operating revenue	449,375,717	435,731,902	316,925,253
Total operating revenues	5,184,230,244	4,926,593,957	3,371,660,382
Operating expenses:			
Maintenance of way and structures	778,105,318	656,600,508	403,501,408
Maintenance of equipment	1,232,701,638	1,110,277,700	563,978,613
Traffic	47,537,552	48,740,756	61,430,681
Transportation	2,193,264,002	2,050,478,949	1,149,195,319
Miscellaneous operations	48,972,187	38,851,289	26,449,855
General	125,436,777	112,319,160	81,647,304
Transportation for investment—Cr.	*6,028,724*	*6,060,861*	*7,270,872*
Total operating expenses	4,419,988,750	4,017,209,501	2,278,932,308
Net operating revenue	764,241,494	909,384,456	1,092,728,074
Taxes	199,193,698	186,966,159	149,550,608
Uncollectible railway revenues	917,570	614,726	746,232
Railway operating income	564,130,226	721,803,571	942,431,234
Equipment and joint facility rent—Dr.	48,336,939	28,692,401	37,396,098
Net operating income	515,793,287	693,111,170	905,035,136
Operating ratio	85.26	81.54	67.60

INJURIES TO PERSONS AND LOSS AND DAMAGE TO FREIGHT AND BAGGAGE.

The CHAIRMAN. At the former hearing you put in a table giving a comparative statement showing the amount charged to operating expenses by class 1 railroads on account of injuries to persons, and loss and damage to freight, etc. I observe that for the calendar year 1918 the total was $89,098,011. That is shown on page 57 of the former hearings. Now, in arriving at your figure of losses, amounting to something over $900,000,000, I do not find in your calculation where you have a reserve to pay anything like that amount for your last year's operations, and it is evident to me that most of that is paid several months and in some cases years after the damage claims originate.

Mr. HINES. There is included in our operating results up to the end of Federal control claims for loss and damage to freight, as well as for other claims, to the extent that they have been actually paid or liquidated so as to get into the accounts. Of course, there will be claims in the future that will be asserted or that are now pending that will be liquidated, and the Government will have to pay them. Now, there will be a reserve to offset that to this extent, that at the beginning of Federal control there were a great many claims pending or were about to be asserted against the companies for losses which had occurred prior to the beginning of Federal control, and which were paid after the beginning of Federal control. Under the rules of the Interstate Commerce Commission, when those claims were paid they were charged into operating expenses and appeared as a part of our operating expenses. Nevertheless, when we paid them, we charged them back against the companies, and now as the companies have paid us or will pay us those amounts, the totals thereby received will constitute a reserve out of which we can pay the expense of claims asserted against the Government after Federal control. I do not believe it is in here, but the fact is that in this way we have a reserve, and it will be about $120,000,000 to cover matters of that sort.

The CHAIRMAN. That is for the two-year period?

Mr. HINES. That is for the entire period.

The CHAIRMAN. That is represented by the lap-over reserve shown on the balance sheet?

Mr. HINES. Yes, sir.

The CHAIRMAN. You had in 1918 almost $90,000,000 estimated for that purpose, and you had a corresponding amount in 1919. It is evident that you are relying upon the provision in the transportation act to take care of the payment of some claims of this character.

Mr. HINES. What do you mean by the provision in the transportation act?

The CHAIRMAN. The fund of $300,000,000 that is provided in the transportation act.

Mr. HINES. Yes, sir. Of course, under that act, only claims that are reduced to judgment are paid out of that fund. It is a thing that it is impossible to forecast with any degree of certainty, and it has to be dealt with largely on the basis of assumption.

The CHAIRMAN. Then, to the extent to which this $120,000,000 may be insufficient to pay these claims originating under Federal control, you would have to add to your $900,000,000 of loss?

Mr. HINES. Yes, sir. Or, if there should be too much, we would subtract it. It is a speculative matter.

The CHAIRMAN. And, also, to the extent to which these claims, provided for under the transportation act, are paid out of the $300,000,000 fund provided in that act, this estimate of $900,000,000 loss should be increased?

Mr. HINES. I should not say that. I think it would all be included in your first supposition that to the extent to which we will be called upon to pay in excess of the $120,000,000 there would be an increase in the deficit. If they are paid out of the $300,000,000 that would leave us that much more in the reserve. If the total is $120,000,000, it will all be covered by the reserve of $120,000,000. It may exceed the $120,000,000, or it may fall below it. It is impossible to say, because there are so many things that might affect it either way.

The CHAIRMAN. How about judgments that grew out of damage suits that were commenced before Federal control and had not been concluded? They are not affected, as I understand it, by Federal control at all.

Mr. HINES. No; I do not understand they are. The causes of action arising against the companies prior to Federal control and satisfied after Federal control will be taken care of by the companies.

The CHAIRMAN. Will you insert in the record a table showing the loss and damage, maintenance of way and strucutres, and personal injuries, similar to the table found on page 57 of the former hearings, with regard to the year 1919?

Mr. HINES. Yes; I will do that.

The table follows:

Comparative statement showing amounts charged to operating expenses, Class I railroads, for account of injuries to persons, loss and damage freight, and loss and damage baggage during the years ended Dec. 31, 1919, 1918, 1917, and 1916.

I. C. C. account No.	Year ended Dec. 31, 1919.	Year ended Dec. 31, 1918.	Year ended Dec. 31, 1917.	Year ended Dec. 31, 1916.
274. Maintenance of way and structures—injuries to persons	$3,922,323	$3,056,033	$3,551,669	$3,060,729
332. Maintenance of equipment—injuries to persons	4,329,121	3,330,123	2,928,433	2,601,847
420. Transportation rail line—injuries to persons	28,941,648	26,775,437	27,100,197	23,740,519
418. Transportation rail line—loss and damage, freight [1]	104,288,286	55,560,974	34,977,851	23,278,110
419. Transportation rail line—loss and damage, baggage	535,256	375,444	301,758	206,568
Total	142,016,634	89,098,011	68,859,908	52,887,773

[1] It is believed that the heavy increase in "loss and damage, freight" in 1919 was due largely to the fact that the settlement of freight claims was speeded up in 1919 so that pending claims were "cleaned up" to an exceptional extent.

GUARANTY TO ROADS FOLLOWING FEDERAL CONTROL.

The CHAIRMAN. With regard to the six months' guaranty under the transportation act, have you made any calculation as to what the liability of the Government will probably be because of that guaranty?

Mr. HINES. No, I have not, Mr. Chairman. I have not been called on in an official way to deal with that, and on account of my contact with the subject I have appreciated there were so many speculative

elements in it that I have not undertaken to go into it. If it would be of interest to you, I would be glad to render any assistance I can in making the estimate, but it is exceedingly speculative. I might point out some of the conditions involved. There is no prior year with which a comparison can be made which will throw any appreciable light on it. For example, the corresponding months of last year were months of a rapidly falling business, a very great slump in business, which reached its most pronounced character in March, April, and May, the very three months now where they have got all the business they can carry. Just how much that is going to play a part it is exceedingly difficult to estimate. There have been several wage adjustments which did not figure in March and April last year, and one, the shopmen's adjustment, figured only in May, June, July, and August and subsequent months. Certain others came along subsequently. It would be necessary to make an estimate to put them back into that period so as to furnish a comparison. In addition to that, apparently, there is going to be a very substantial increase in the price of coal effective the 1st of April of this year which will go into the operating expenses for the months from April to August. In addition to that, it is difficult to estimate the extent to which the renewal of competitive conditions is going to increase the cost. That, of course, was not present last year. Further than that, of course, right now they have this strike which is very seriously interfering with their operations and it just depends on how long it will last whether it will be a very big item or a small item in the results. So it is going to be exceedingly speculative to make an estimate that will be really helpful.

INLAND WATERWAYS.

(See p. 177.)

The CHAIRMAN. Was the operation of the inland waterways as tied up with the railroads a success?

Mr. HINES. The operation of the inland waterways was a mere beginning. There is no new enterprise of that sort, ordinarily, that can be expected to be a success at the outset, because it was just the starting of a new system, and we show no operating income at all from that, but, on the contrary, a considerable operating loss, as I believe is inevitable in the development of a new business of that kind.

The CHAIRMAN. I suppose that was to be expected, and my question perhaps did not convey what was in my mind. My thought was whether or not the use of the waterways and your study of that problem have led you to arrive at any conclusion with regard to using the waterways as an integral part of our transportation system in the United States to a greater extent than heretofore.

Mr. HINES. Mr. Chairman, I believe the best way I can start out in answering your question is to quote what I say in my report to the President in respect of these inland waterways. I say:

> I am a firm believer in the policy of continuing these operations under governmental control for at least a reasonable period, to give an adequate opportunity for their proper development in order that a satisfactory test may be made of the practicability of utilizing the inland waterways of the United States. I anticipate that that test will demonstrate that for at least certain classes of traffic the water transportation is practicable and economical and highly in the public interest.

I have given a great deal of thought to that problem and I have looked at it in this way. It has been always recognized that a railroad is not likely to be successful in itself if it did not have feeders. Now, in general, in the past these inland waterways which have been improved by the Government at very great expense have been in the attitude of transportation systems without any feeders and without any satisfactory opportunity to make arrangements for interchange traffic. I feel that since the Government has invested so much in the improvement of the waterways through construction of locks, dams, etc., and the deepening of channels, certainly an effort ought to be made to see whether or not with proper interchange arrangements established, so that on the one hand the waterways can feed the railroads and on the other hand the railroads can feed the waterways, it will not develop to be a really practicable method of transporting certain sorts of traffic. My best judgment about that is that it will turn out to be a desirable thing. It will vary as to different waterways. Of course, the conditions are widely different. For example, the New York State Barge Canal is subject to the condition that for a good part of the year, when the demand for traffic is most insistent and when transportation on the railroads is most difficult, the canal is frozen up and is not available. On the other hand, the heaviest traffic is in the fall months, in September, October, and November, when the canal is available, and there is a very great deal of heavy traffic that can move that way, and I have felt that it was well worthy of developing the experiment further to see whether that canal could not be successfully used for that traffic. The Warrior River in Alabama is very little interfered with by weather conditions and has a very large traffic southbound from the Alabama coal fields, and I feel there is a very excellent prospect of that justifying itself.

The Mississippi River, also, south of St. Louis is very little interfered with by weather conditions, and south of Cairo is interfered with still less, and it seems to me that that is a very important proposition that ought to be developed further with a reasonable prospect of its success. It is hard to tell what sorts of traffic can be most successfully carried, and I believe there will have to be a good deal of experimentation before anybody can settle down to certain lines of traffic that can be handled with the greatest degree of economy and satisfaction; but my general view is that as to these great waterways of the sorts I have referred to, there is a very strong probability that it will develop to be in the national interest and in the promotion of national economy to use them for transportation of certain classes of traffic. For one thing, I believe one great difficulty with railroad transportation has been that where the railroad traffic moves over a considerable distance, unless it is given preferred movement, like perishables or like these merchandise cars, the movement is rather uncertain, and you can count with a good deal more certainty on when a boat which leaves one end of a line on one day is going to reach the other end of it than you can when a carload of traffic is going to reach destination, and it has occurred to me that that would be a distinct advantage with river movements as to some forms of traffic. On the whole, I feel that the experiment is well worth carrying forward and ought to be done with the expectation that it would be successful as to certain classes of traffic.

During Federal control, not only were we confronted with the difficulty in reference to this traffic that always confronts the development of a new business, but we were confronted with the further difficulty that the equipment was not in existence at the beginning of this experiment, which, of course, was entered on in pursuance of the policy outlined by Congress in the Federal-control act, and we have not yet got to the point, and we had not on the 1st of March, where the equipment had been completed which it had been estimated had been required in order to develop the matter satisfactorily. During 1918 it was impossible to make much progress with it on account of the demand for materials for more urgent war purposes, and the work, even during 1919, with the greatest persistence on our part in expediting it, had not reached the point where the equipment had been delivered or enough of it had been delivered to make really a fair experiment.

The CHAIRMAN. How long will we have to conduct this experiment before we will come to a point where we can determine just whether or not the inland waterways can be successfully used as a part of our transportation system?

Mr. HINES. Of course, that is entirely speculative. My own judgment is that I would not think of trying to form a conclusion on that until I had had the benefit of the results for the calendar year 1921. The delivery of this equipment will be practically completed by midsummer of this year, and with the opportunity that that will give for a settling down to a regular method of handling the business, I should think the calendar year 1921 would give a pretty good index to the situation and at least would serve as a basis for an intelligent conclusion as to whether or not the experiment should be carried forward for several years longer or not.

RAILROAD PASSES.

The CHAIRMAN. Mr. Hines, what abuse, if any, was there during Federal control with reference to the practice of issuing passes?

Mr. HINES. I do not think there was any, Mr. Chairman. Of course, there may have been individual mistakes of judgment, but the policy adopted by the Railroad Administration was to observe the rules and principles which had been established during private control by the Interstate Commerce Commission. There was a curious misconception that was disseminated more or less through the press that passes had been abolished under private control and had been restored under Federal control, but that was altogether wrong, because, as a matter of fact, we issued far fewer passes than were issued under private control, and what we did issue were issued in pursuance of the principles established by the commission. It is probably true that one of the important reasons why fewer passes were issued was that under Federal control a single pass would serve the same purpose as a number of passes to the same individual under private control; but even with that, the principles applied were in strict accordance with principles already established, and with a view to minimizing rather than increasing the use of passes.

The CHAIRMAN. To what classes of employees and officials were passes issued?

Mr. HINES. The prevailing railroad practice which was pursued was that railroad officials who had to travel regularly on railroad business were given annual passes. That, of course, included the Federal managers and their immediate staff, the general managers, and the men in the traffic departments, and the division officers and their staff, both the operating and traffic people; and, in general, the men active in the railroad work who had to travel more or less regularly in the discharge of their duties had always had annual passes and continued to have them under Federal control. Then, of course, where other employees had occasion to travel on railroad business they were given trip passes. In addition to that, it had always been the practice, which has been expressly sanctioned by Congress in the exceptions it made in the interstate commerce act and applied by the rulings of the commission, to give passes to employees to make trips for their vacation or any reasonable proper travel they were taking for their personal business or rather for their personal pleasure, because as a rule they did not have any business aside from their railroad work, and that was carried out according to those principles. Now, roughly, that represented the classes of passes that were issued. Of course, the officers of the central administration had passes and the officers of the regional administration also had passes. In addition to that, we gave passes to the executives of the railroad companies on the idea that it was appropriate for them to have the opportunity to travel over their properties and inspect them during Federal control. I think, broadly, that outlines the policy that was pursued.

The CHAIRMAN. How about the members of the families of employees and officials?

Mr. HINES. The practice under private control had been very general for the wives and, to some extent, the dependent children, of the principal officers to have annual passes, and that was carried forward in substantially the same way as before. It was also the practice under private control to give trip passes to the members of the families of employees pretty generally and that was carried forward. I should say that we simply took over the practices of private control in that respect and carried them forward, and my own judgment has been they were carried forward with more scrutiny and conservatism than under private control, but it is very difficult to make a dogmatic statement on that because it was left largely to the judgment of the local officers, but with the understanding that they would conform with the principles established by the commission.

AMERICAN RAILWAY EXPRESS CO.

(See p. 179.)

The CHAIRMAN. Mr. Hines, I can not see why the same elements should enter into your losses in the operation of the American Railway Express Co. that entered into the losses of the operation of the railroads generally. How does it happen that there was such a large loss involved in the operation of the express companies.

Mr. HINES. That is due broadly to two propositions; one is the express employees—as I view it, many of them were peculiarly subject to the competitive conditions in other business and also had been paid relatively small wages and had worked relatively long hours before, and I believe, though no reliable data are available, the wage

increase to the express employees was probably a greater percentage and involved a larger increase in cost even than the average to the railroads. The different express companies before Federal control had differed a good deal in their wage scales, and some of them were paid exceedingly small wages, and under the competitive conditions existing in the large cities where the great bulk of the express employees were at work they felt that very greatly.

The express companies, in getting their employees, particularly the teamsters, which are a very important part of their employees, were in direct competition with private enterprise in all the big cities in the country, so that I think their wage increase was relatively large. On the other hand, I think their rate increase was relatively small. They got a 10 per cent rate increase along in the spring of 1918 and an additional increase approximating 10 per cent, along in the beginning of 1919, and that increase, of course, was less than what was given to the railroads, and but for the interrelation with the railroad rates and the undesirability of opening up that subject without opening up the other, there probably would have been a further increase in rates to the express companies.

The CHAIRMAN. The increase in wages per hour, according to your report to the President, was 100 per cent or slightly over 100 per cent since 1914.

Mr. HINES. Yes.

The CHAIRMAN. How does that compare with the increase in the rate per hour to employees of the express companies?

Mr. HINES. I have not seen any figures on that. I will be glad to investigate that and see if I can get any light on that for you, but I was speaking of the class 1 railroads and not of the express companies when I was making that statement. I would like to add that I find on investigation there are no figures showing the increase per hour in the wages of express employees.

INCREASE IN WAGES OF RAILWAY EMPLOYEES.

The CHAIRMAN. You have spoken of the Lane Commission; you made some increases after the Lane Commission's report that were not included in the Lane Commission's recommendations, did you not?

Mr. HINES. A very large part of our total increases was made subsequently on the basis of recommendations from our board of railroad wages and working conditions. As I pointed out just now, the Lane commission report did not undertake to deal with competitive conditions in other lines of industry, and the board of railroad wages and working conditions took that matter up and that was an important part of its consideration. Neither did the Lane commission undertake to preserve any established differentials as between different classes of railroad employees, and the board of railroad wages and working conditions took that up, so that I should say a very large part of the total increase in wages which are now in effect were made subsequent to the action on the report of the Lane commission and were based on the action of the board of railroad wages and working conditions.

The CHAIRMAN. Mr. Hines, if it could be done without too much trouble, I think it might be worth preserving in some form, and per-

haps in these hearings, a table showing the increase made by virtue of the report of the Lane commission and then the increases covering the various classes of employees by the board of railroad wages and working conditions, and any other increases worth mentioning made subsequent or prior to those increases, showing what each one of these orders meant in the way of an increase in wages based on the yearly compensation.

Mr. HINES. Yes; I will be glad to do that.

(The table follows:)

Table showing increase made by virtue of the report of the Lane commission and increases covering various classes of employees by board of railroad wages and working conditions, showing what each one of these orders mean in the way of increases in wages based on the yearly compensation.

Estimated annual increase in pay rolls chargeable to operating expenses on account of General Order 27 and supplements thereto.

	Employees affected.	Effective date.	Estimated annual increase in pay rolls chargeable to operating expenses.
General Order 27 (substantially recommendation of Lane commission).	All employees receiving less than $250 per month.	Jan. 1, 1918	$360,000,000
Supplement No. 4	Shop employees	...do	209,000,000
Supplements 7 and 8	Maintenance of way employees and clerks.	Sept. 1, 1918	190,000,000
Supplement 13	Agents and operators	Oct. 1, 1918	25,000,000
Supplements 14, 17 and 18	Policemen, dining and sleeping car employees.	Jan. 1, 1919	8,000,000
Supplements 15 and 16	Enginemen and trainmen	...do	60,000,000
Increase in pay under equalization adjustment effective May 1, 1919.	Shop employees	May 1, 1919	50,000,000
Time and one-half for overtime allowed.	Enginemen and trainmen in road freight service.	Dec. 1, 1919	38,000,000
Time and one-half for overtime and other adjustments in pay.	Maintenance of way employees Clerks	Dec. 16, 1919 Jan. 1, 1920	25,000,000
Total			965,000,000

"SHORT-LINE" RAILROADS.

I want to make a brief explanation as to the matter of short-line railroads, which was touched on in the examination of Mr. Sherley a few days ago. During the early part of the year 1918 the policy of the Railroad Administration was defined to the short line railroads. At that time the matter was in charge of Judge Payne, as general counsel, and he was acting for Mr. McAdoo, the Director General. As I understand the situation it was this: The President's proclamation took over what was called systems of transportation. When the proclamation was issued a general notice was sent to the Interstate Commerce Commission to be transmitted to railroads which, without undertaking to specify that any railroad had been taken over under the proclamation, indicated that all railroad systems which had been taken over by the proclamation should observe it, etc. It did not identify any railroads then as being taken over. One or two other communications, in very general language of that sort, were sent out. They were not addressed to any particular railroad saying that the railroad had been taken over but were

general in terms as to all transportation systems and were to the effect that all transportation systems taken over by the proclamation should do so-and-so. The matter came up in the hearings before the House Committee on Interstate and Foreign Commerce, in January, 1918, as to what was the extent of the proclamation, and Judge Payne, on page 320 of the hearings on H. R. 8172, from January 8 to January 29, 1918, made this statement to the committee with reference to what he had said to the Director General:

After returning from here last night, I stated to him what was being offered here, and he authorized me to say the act of Congress of 1916, on which the President's proclamation rests, does not mention railroads. It deals with transportation systems or a transportation system, or a part thereof, and, as has been repeatedly pointed out here, is a war measure. Therefore, a small road which merely serves a local community and does not constitute part of a transportation system, does not, in his opinion, fall within the purview of the proclamation.

Then Mr. Sweet inquired as to how a road was to know whether it was within the proclamation or not, and said to Judge Payne:

What would you suggest for that road to do for the purpose of knowing whether it is included in the President's proclamation or is not within the President's proclamation?

And Judge Payne said:

Precisely what is being done every day. Roads are making definite applications to the director for a decision as to whether they are included, as to whether they are taken over; and, as I said here the other day, one or more decisions, at least, have been made as to specific roads. There is no other way, in my view, of doing it. Somebody has got to determine the law as applied to the facts in each case.

So the practical construction put on the proclamation by the director general and the general counsel was that the proclamation did not take over every railroad in the United States but took over transportation systems, and that it was a question to be determined in each particular case whether a railroad was taken over or not. From time to time railroads raised the question and were advised about that. A great many short line companies insisted they were taken over or ought to be taken over, and as a result of that the Federal control act, which I believe was approved March 18, 1918, specifically declared that they were taken over. So that I do not understand any notice was ever sent out by the Railroad Administration advising a company that it had been taken over, except in a case where a particular railroad company submitted an inquiry as to whether it was taken over or not and there was a ruling on that inquiry.

Now, as to the wage matter, when the wage order was issued we were very careful to make sure that it did not apply generally, and it specified that the wages should be increased on designated railroads, so that General Order 27, which dealt with the wage matter, applied only to the railroads provided for in that order; we did that for the express purpose of not confusing the situation as to the miscellaneous short lines. We felt that to apply the standard railroad wages to the short lines all over the country would have a very unsatisfactory effect; that there was no necessity for it, and we expressed that order so as to avoid that complication.

I wanted to say that in explanation, because the impression seems to prevail that the Railroad Administration had sent out definite notices to each short-line company that it was under Federal control and then had denied that was the case, but I do not understand that transaction ever took place.

The CHAIRMAN. Mr. Sherley, I believe you want to make a further statement?

Mr. SHERLEY. Mr. Chairman, under section 204 of the transportation act, 1920, it is provided that there shall be ascertained the deficit that certain short-line roads suffered during the period of Federal control, and the difference between that deficit and their earnings during the test period, or their deficit during the test period, should represent an indebtedness to the United States which the Secretary of the Treasury, upon the certification of the Interstate Commerce Commission, is instructed to draw a warrant for and pay, and an indefinite appropriation is made for that purpose. Now, it so happens that a great many of these roads are indebted to the Railroad Administration on account of traffic balances and for other reasons, and that indebtedness represents one of the expenses that these roads have been put to and by virtue of having been put to have occasioned, with other causes, a deficit which the Government is to reimburse. The act is so drawn that there is apparently a mandatory requirement on the part of the Secretary of the Treasury to pay over the total sum that may be due these roads without regard to the sums that the roads owe us. I have therefore with the assistance of Mr. Shield, drafted while here this morning an amendment which I should be glad to submit for the consideration of the committee. It provides, in substance, that upon the certification of the indebtedness and the request of the President the Secretary of the Treasury shall deduct the moneys owed to the Government and that, to the extent of such deduction, it shall be considered as a payment pro tanto of the indebtedness of the carriers to the Government. In other words, it brings about a working offset arrangement between the Government and the carrier. The language that is suggested to meet the situation is this:

The Interstate Commerce Commission, in certifying to the Secretary of the Treasury the several amounts payable to any carrier under paragraph (f) of section 204 of the transportation act, 1920, also shall certify to the Secretary of the Treasury such sums, if any, as may be due from such carrier to the President (as operator of transportation systems under Federal control) on account of traffic balances or other indebtedness. The amounts so certified to be due the President, upon his request, shall be deducted by the Secretary of the Treasury from the amounts so certified to be due such carrier and thereupon shall be credited by him to the appropriation made in section 202 of the transportation act, 1920. Such deductions shall be considered as a payment pro tanto of such indebtedness to the Government.

Of course this has been hastily drawn and it may be that upon more mature consideration we would want to offer some suggested amendment or some amendment may occur to yourself and to the committee. The provision is so drawn as to permit deduction; it does not compel it; it leaves it to the request of the President and then the Treasury shall deduct, because it is conceivable that in some cases the very purpose of this legislation by Congress, providing for paying these sums to these roads, might be interfered with if a set-off were compelled; it leaves it discretionary, just as the set-off provision touching the roads that were under Federal control is left discretionary, but it will give to the Government direct means of collecting an indebtedness that it is not clear it now has.

The CHAIRMAN. Having conferred with the conferees that agreed upon this transportation act, I wonder whether or not that matter was taken up and discussed?

Mr. SHERLEY. It was overlooked, so far as I know. Personally, my talks and statements before the conferees and before the committees on Interstate and Foreign Commerce of the House and the Senate did not deal with it. I take it that the principle involved here is perfectly sound; that if these roads are to be paid a deficit that occurred because of certain obligations, among which there were some to the Government, provision ought to be made that the obligations to the Government be liquidated.

The CHAIRMAN. Has any estimate been made as to the amount involved in these indefinite appropriations.

Mr. SHERLEY. The other day in testifying I said that at one time we made an estimate, as I recall, of some $25,000,000 as being the likely amount that would be paid under this provision to the short line roads, but that was just an estimate without any real data on which to form it. As to their indebtedness to the Government, I can not now say. It is considerable, but not near so large a sum.

BALANCES WITH CANADIAN RAILROADS.

The CHAIRMAN. Mr. Sherley, what is the condition of your balances with foreign steamship lines or foreign railroad companies with which you have had some financial transactions?

Mr. SHERLEY. Mr. Chairman, we have some moneys still owing us by railroad companies outside the United States as a result of traffic balances. Chiefly, those moneys have been paid, and in regard to Canada, which is the only case that is worth mentioning because of any magnitude, Canadian moneys that have been paid from time to time by the Canadian roads to us and which could not be used by us in Canada in payment of our own indebtednesses have been deposited in Canadian depositories to the credit of the Railroad Administration. There is now $11,085,181.48 on deposit in Canadian banks. Inasmuch as the rate of exchange made it apparent that it would not be desirable to immediately transfer such moneys to the United States I have placed over nine millions of it upon time deposit, so that it is drawing 3 per cent interest rather than on daily deposit, in which event it would draw only 2 per cent interest. As you know, Canadian exchange has been considerably against Canada and at one time reached as high a point as 16 per cent, but it is now down to about 9 per cent.

The CHAIRMAN. You carry that in your item of cash with other cash?

Mr. SHERLEY. Yes; but I felt you ought to know of it because it is a matter of some importance, and is not cash fully available at this time, as to now use it would involve the taking of some loss.

BOARD OF RAILROAD WAGES AND WORKING CONDITIONS.

(See p. 172.)

Mr. CLAGETT. Mr. Chairman, I should like to refer briefly to the question asked by you during the last hearing as to the work of the Board of Railroad Wages and Working Conditions. It was stated by the chairman at that time that information had been given him that the pay roll of that board was approximately $150,000 per year. It was added that during February, 1919, although I find by reference to the chairman's data that February, 1920, was intended, the em-

ployees classed as secretaries and clerks performed only a small amount of work in writing memoranda and correspondence.

As already stated, that board was abolished as of April 1, 1920, because its work was completed. As of February 15, 1920, the board had on its pay roll 42 persons at an annual salary of $137,040, nine of these persons being classed as clerks, six as secretaries, and seven as stenographers, making a total of 24 persons doing secretarial, stenographic, and clerical work, and the monthly salary of those routine employees on that date was $2,878. On March 15 the board had on its pay roll 35 persons at an annual salary of $116,990, seven of these persons being classed as clerks, five as secretaries, and seven as stenographers, making a total of 20 persons doing secretarial, stenographic, and clerical work, and the monthly salary of those routine employees on that date was $2,425.

As to the members of the board and other employees not classed as secretaries, stenographers, or clerks, they, of course, were not engaged in typewriting or the physical typists' work of correspondence. The principal work of the board did not have to do with correspondence but had to do with investigating, hearing, and reporting to the director general on requests for increased wages and changes in rules and working conditions on the part of the various railroad employees on the railroads under Federal control, and in considering requests for interpretations as to wage orders previously made.

I am informed that the records of the director general's office show that there were received during the month of February, 1920, from the board, 28 wage recommendations, and that the above would represent approximately 584 double-spaced typewritten pages and that this work was for the most part given to the secretaries and stenographers in rough manuscript form to copy, and that it involved the looking up by the secretaries and stenographers of references, and that it was generally slow work.

I am also informed that the principal work of the clerical and stenographic forces of the wage board during the month of February had to do with the tabulation of returns on questionnaires sent out previously by the board to develop data regarding shop-crafts employees, and that this last-mentioned work utilized most of the time of the secretaries, stenographers, and clerks during the month of February, in order to complete this data before the end of Federal control; also that the secretaries, stenographers, and clerks were taken off their regular work and assigned to the tabulation division, with the result that by the end of February there were only two secretaries doing their regular work.

In addition, it should be mentioned that when data was presented to the wage board in connection with the request for increases in wages, changes in rules and working conditions, and for interpretations of previously issued wage orders, such data was generally presented in such shape that in order for it to be considered by each individual member of the board copies had to be made for such members. This, of course, entailed a large amount of typewriting and clerical work, which is not included in the figures mentioned above.

In addition, of course, the secretaries and stenographers were engaged in carrying on what correspondence work there was, filing for the individual members of the board, etc.

While no one now employed by the Railroad Administration, as far as I am aware, is familiar with the day-by-day detailed work done by the board, I think it should be added that unquestionably the work of that board has involved a very large amount of typewriting and secretarial work. For instance at various times during 1919 practically every class of railroad employees presented requests for changes in their wages and working conditions and most of those requests were examined in detail by the board and recommendations made thereon to the director general. Some of these reports made to the director general were very voluminous. For instance, in September, 1919, there was transmitted to the director general from the board recommendations and communications regarding wages of trainmen in road and yard service; the recommendation itself and accompanying papers contained approximately 72 pages of typewriting, together with approximately six large tables of compilations and statistics. Again, in November, there were transmitted by the board recommendation, reports, etc., regarding wage requests of firemen and enginemen. These papers, all of which were typewritten by the employees of the board, included approximately 89 typewritten pages, together with approximately 8 or 9 pages of statistics and tabulated data.

I think it should be reiterated, therefore, that as far as it has been possible to determine from the records, now that the wage board is out of existence, the fact is that a large amount of clerical and other work was done by the employees of the board during February, and I have not been able to find that too many employees were kept on the pay roll considering the amount of work to be done.

I would like to show you some of the tabulations that were made.

The CHAIRMAN. You are mistaken about the year. If my data that I gave you indicated that it was for the year 1920, it is erroneously worked up. It was erroneously worked up by the person to whom I turned over the papers, because I had the data for the latter part of January of the year 1920. I had that data with regard to the number of letters received and the number of old papers handled, and then I found that here was a clerical force working for a commission which was to perform a judicial function, or a commission of experts who were supposed to know certain fundamental things. That commission had a clerical force of 12 persons handling about, on an average, 25 letters per day, with a few old letters and papers.

Then, when I learned from an independent source that the women were knitting down there and the men gossiping, I became convinced that there was something in the report that came to me. If this report is worked up on the theory that it was in 1920, it is an error, because the data that I handed the person to analyze was in my possession before the month of February, 1920, so that it could not possibly be that month.

Mr. CLAGETT. It is stated as February, 1920, and that is the reason why I made the analysis on that basis.

EXHIBIT A.

UNITED STATES RAILROAD ADMINISTRATION.—DIRECTOR GENERAL OF RAILROADS.

Statement of receipts, central treasury, Jan. 1, 1919, to Mar. 31, 1920.

Receipts.	January.	February.	March.	April.	May.	June.	July.	August.
Balances at beginning of months	$78,188,531.69	$61,332,737.51	$14,795,894.71	$93,281,637.22	$80,067,785.79	$83,415,922.95	$46,519,775.87	$367,118,640.07
Appropriation of Congress approved June 30, 1919							750,000,000.00	
Appropriation of Congress approved Feb. 28, 1920								
Received from Federal treasurers	13,996,455.46	25,191,966.24	7,500,000.00	20,328,500.00	21,835,000.00	41,062,500.00	24,702,442.79	43,077,500.00
Transportation charges collected:								
War Department			100,000,000.00			30,000,000.00		
Navy Department			10,000,000.00					
American Railway Express Co.	10,327,183.11	5,000,000.00	5,970,606.71	14,350,009.00	7,000,000.00	10,350,000.00	7,700,000.00	9,895,913.56
Loan by War Finance Corporation			50,000,000.00					
Loans to carrier corporations repaid:								
Principal	57,030,000.00	1,000,000.00	3,326,000.00	43,250.00		977,500.00	2,300,000.00	17,598.92
Interest	393,196.94	49,662.51	88,526.67	37,844.15	54,000.00	67,346.66	169,126.91	12,000.00
Interest on bank balances	56,102.34	61,647.78	50,820.66	42,836.54	96,067.05	111,830.16	119,275.49	67,844.90
Interest in investments								
Received from carrier corporations account of additions and betterments				712,000.00	2,500.00	38,022.00	3,000,000.00	
Repairs to vessels requisitioned:								
Shipping Board					400,000.00			
War Department								
Navy Department								
Dividends on stock of Locomotive Superheater Co.				70,890.00			70,890.00	
Recovered account cars built:								
Scrap sold			3,473.81	55,489.43	75,289.22	102,039.30	54,304.39	71,992.66
Specialties on equipment	32,225.29		21,879.89			12,684.27	18,700.90	1,540.80
Repayments by builders								
Payments by carrier corporations								
Liberty loan installments collected from employees	13.39	2,356.47	1,509.36	1,954.52	1,508.87	1,669.05	9,694.10	951.66
From New York, New Haven & Hartford R. R. on open account								
Per diem earnings G. E. T. cars								
Associations and bureaus								
From Boston & Maine R. R. for temporary bond								
Miscellaneous receipts	366.60	404.40	10,901.95	410.79	1,901.64	10,050.02	5,677.16	1,674.25
Charter hire, S. S. Cherokee							71,657.90	
	160,024,074.82	92,638,774.91	191,769,613.76	128,924,812.65	109,534,052.57	166,149,564.41	834,741,545.51	420,265,656.82

Receipts.	September.	October.	November.	December.	January.	February.	March.	Total.
Balances at beginning of months	$348,742,496.67	$381,048,703.02	$309,496,089.44	$363,233,264.61	$222,955,354.22	$173,608,403.35	$111,635,673.86	$78,188,531.69
Appropriation of Congress approved June 30, 1919								750,000,000.00
Appropriation of Congress approved Feb. 28, 1920							200,000,000.00	200,000,000.00
Received from Federal treasurers	117,385,000.00	83,998,000.00	57,960,000.00	34,434,135.34	41,630,000.00	11,215,000.00	7,760,000.00	552,076,499.83
Transportation charges collected:								
War Department			909,662.07	27,627,029.85		25,000,000.00		183,536,691.92
Navy Department							31,241.66	10,031,241.66
American Railway Express Co	7,454,901.43	8,308,665.49	7,580,351.92	13,186,015.17	7,228,945.17	8,037,946.81	9,689,806.16	132,080,335.53
Loan by War Finance Corporation								50,000,000.00
Loans to carrier corporations repaid:								
Principal	968,450.00	5,077,980.00	10,700,575.00		308,799.36		43,950.00	81,794,103.28
Interest	24,930.00	235,515.04	303,552.73	10,880.00	24,509.59		1,680.00	1,472,771.20
Interest on bank balances	52,546.04	80,659.63	121,880.72	90,195.69	61,673.99	61,398.08	21,969.65	1,098,748.72
Interest on investments	72,360.00		42,000.00				404,220.83	518,581.73
Received from carrier corporations account of additions and betterments			3,600,000.00	1,100,000.00				8,452,522.00
Repairs to vessels requisitioned:								
Shipping Board								400,000.00
War Department					100,000.00			100,000.00
Navy Department					400,000.00			400,000.00
Dividends on stock of Locomotive Superheater Co		70,890.00						212,670.00
Recovered account cars built:								
Scrap sold	24,111.25	34,244.10	26,275.38	31,954.79	57,963.21	61,437.51	36,039.16	634,614.21
Specialties on equipment	3,922.75			2,409.98	5,250.69		186.00	98,800.57
Repayments by builders	322,894.26				7,592.31		25,868.10	356,354.67
Payments by carrier corporations			674,300.00		292,649.35	1,155,600.00	1,252,500.00	3,375,049.35
Liberty loan installments collected from employees	3,642.07	2,930.63	4,375.76	5,514.07	1,703.36	2,685.75	409.30	40,918.36
From New York, New Haven & Hartford R. R. on open account					1,309,000.00			1,309,000.00
Per diem earnings G. E. T. cars					51,635.40	114,207.60	327,453.95	493,296.95
Associations and bureaus					127,500.00	68,758.67	510.54	196,769.21
From Boston & Maine R. R. for temporary bond				931,000.00				931,000.00
Miscellaneous receipts	4,153.59	3,741.95	5,220.46	4,644.60	4,002.41	7,254.21	6,425.82	66,828.95
Charter hire, S. S. Cherokee								71,657.90
	475,059,408.06	478,861,329.86	451,424,283.48	440,657,004.10	274,566,579.06	219,332,691.98	331,237,935.03	2,057,934,987.73

Statement of disbursements, central treasury, Jan. 1, 1919 to Mar. 31, 1920.

Disbursements.	January.	February.	March.	April.	May.	June.	July.	August.
Payments to carrier corporations and receivers:								
Loans	$12,148,693.50	$12,553,475.00	$9,084,575.00	$438,000.00			$145,713.07	$120,000.00
On account of compensation	35,380,536.00	29,847,370.00	5,597,100.00	40,600.00		$96,052,288.00	57,430,700.00	32,284,215.00
On open account and miscellaneous					$100,000.00	1,403.79	7,500.00	316,250.00
Advances to Federal managers for current cash and operating requirements	19,821,466.24	16,318,000.00	78,192,925.00	46,955,500.00	24,376,500.00	21,916,000.00	28,062,885.58	25,060,500.00
Payments to equipment builders on account construction of locomotives and cars	30,071,470.89	18,053,288.58	1,311,242.18				39,291,438.25	11,773,967.96
To disbursing officers for:								
Inland waterways	847,641.00	350,000.00	200,000.00	761,400.00	220,000.00	914,000.00	1,858,400.00	400,000.00
Car hire							550,000.00	575,000.00
Transportation charges collected, paid over to lines not under Federal operation					332,398.43	203,063.95	11,041.90	1,378.02
Investments:								
Southern Railway Co. notes			3,335,230.00					
Locomotive Superheater Co. stock		25,000.00						
Boston & Maine Railroad bonds								
Retirement of certificates of indebtedness and interest:								
Deposited with Treasurer United States							288,526,150.13	
Paid by Treasurer U. S. R. R. Administration								
Repayment of advance from War Finance Corporation and interest thereon							50,929,452.05	
Expenses of administration:								
General expenses	116,278.20	144,557.07	213,860.29	110,785.94	262,482.19	223,473.41	255,885.83	145,245.91
Pay rolls	278,042.60	527,507.49	528,499.70	529,020.57	807,641.64	276,798.08	553,738.63	846,603.26
Payments to banks on account of Liberty loan subscriptions by employees	27,208.88	23,682.06	22,898.79	21,720.35	19,107.36	42,761.31		
Miscellaneous disbursements			1,645.58					
Balances at close of months	61,332,737.51	14,795,894.71	93,281,637.22	80,067,785.79	83,415,922.95	46,519,775.87	367,118,640.07	348,742,496.67
Total	160,024,074.82	92,638,774.91	191,769,613.76	128,924,812.65	109,534,052.57	166,149,564.41	834,741,545.51	420,265,656.82
Balances at close of months:								
In Central Treasury	61,332,737.51	14,795,894.71	93,281,637.22	80,067,785.79	83,415,922.95	46,519,775.87	367,118,640.07	348,742,496.67
In hands of Federal treasurers (approximately)	155,524,000.00	129,539,000.00	175,860,000.00	162,217,000.00	157,951,000.00	154,734,000.00	196,850,000.00	234,029,000.00
Total	216,856,737.51	144,334,894.71	269,141,637.22	242,284,785.79	241,366,922.95	201,253,775.87	563,968,640.07	582,771,496.67

Disbursements.	September.	October.	November.	December.	January.	February.	March.	Total.
Payments to carrier corporations and receivers:								
Loans	$59,000.00	$50,000.00		$55,000.00	$574,303.40	$52,000.00		$35,280,759.97
On account of compensation	72,797,710.00	86,416,835.00	$63,172,198.00	139,994,851.29	67,330,257.00	60,809,018.00	$94,985,149.00	842,138,827.29
On open account and miscellaneous	544,734.82	152,624.46	2,954,439.59	506,422.97	431,318.90	249,644.89	390,000.00	5,654,339.42
Advances to Federal managers for current cash and operating requirements	3,785,000.00	5,033,000.00	14,272,500.00	41,168,500.00	26,134,300.00	40,647,970.92	95,638,714.54	487,383,762.28
Payments to equipment builders on account construction of locomotives and cars	15,534,392.86	14,738,790.86	5,840,741.39	12,703,831.29	5,470,436.33	5,108,109.68	5,405,473.72	165,303,183.99
To disbursing officers for:								
Inland waterways	425,000.00	2,169,400.00	250,000.00	1,784,200.00	90,000.00			10,270,041.00
Car hire	400,000.00		855,000.00	25,000.00				2,405,000.00
Transportation charges collected, paid over to lines not under Federal operation	32.33	19,013.61	1,537.05					568,465.29
Investments:								
Southern Railway Co. notes								3,335,230.00
Locomotive Superheater Co. stock								25,000.00
Boston & Maine Railroad bonds				20,283,220.83				20,283,220.83
Retirement of certificates of indebtedness and interest:								
Deposited with Treasurer United States								288,526,150.13
Paid by Treasurer U. S. R. R. Administration		11,765.62	75,106.68	14,598.36	16,128.69		3,854.65	121,454.00
Repayment of advance from War Finance Corporation and interest thereon								50,929,452.05
Expenses of administration:								
General expenses	137,972.74	154,780.63	157,694.73	237,258.68	314,674.41	258,542.01	556,971.52	3,290,463.59
Pay rolls	272,772.91	573,321.05	589,437.77	906,114.11	571,860.34	551,333.45	131,022.81	7,943,714.41
Payments to banks on account of Liberty loan subscriptions by employees	54,089.38	45,709.19	22,363.66	2,497.81	19,110.80	18,449.14	8,995.32	348,594.05
Miscellaneous disbursements				194.54	5,785.84	1,950.00	10,799.80	20,375.76
Balances at close of months	381,048,703.02	369,496,089.44	363,233,264.61	222,955,354.22	173,608,403.35	111,635,673.86	134,106,953.67	134,106,953.67
Total	475,059,408.06	478,861,329.86	451,424,283.48	440,657,044.10	274,566,579.06	219,332,691.98	331,237,935.03	2,057,934,987.73
Balances at close of months:								
In Central Treasury	381,048,703.02	369,496,089.44	363,233,264.61	222,955,354.22	173,608,403.35	111,635,673.86	134,106,953.67	
In hands of Federal treasurers (approximately)	241,809,000.00	255,903,000.00	236,629,000.00	211,273,000.00	210,513,000.00	197,092,566.63	81,000,000.00	
Total	622,857,703.02	625,399,089.44	599,862,264.61	437,228,354.22	384,121,403.35	308,728,240.49	215,106,953.67	

EXHIBIT B.

United States Railroad Administration—Treasurer's statement of receipts and disbursements from Jan. 1, 1919, to Mar. 31, 1920, inclusive.

BALANCES ON HAND JAN. 1, 1919, AND RECEIPTS DURING PERIOD.

Items.	Appropriations unrequisitioned.	Disbursing officer's checking account.	Treasurer's checking account.	Total.
Balances on hand Jan. 1, 1919	$25,037,205.83	$21,545,189.97	$31,606,135.89	$78,188,531.69
Appropriation approved by Congress June 30, 1919	750,000,000.00			750,000,000.00
Appropriations approved by Congress Feb. 28, 1920	200,000,000.00			200,000,000.00
Requisitions from appropriations		914,569,431.12		914,569,431.12
Deposits by Federal treasurers			552,076,499.83	552,076,499.83
Transportation charges collected:				
War Department			183,536,691.92	183,536,691.92
Navy Department			10,031,241.66	10,031,241.66
Advance received from War Finance Corporation			50,000,000.00	50,000,000.00
American Railway Express Co			132,080,335.53	132,080,335.53
Loans to carrier corporations repaid:				
Principal	41,868,500.00		39,925,603.28	81,794,103.28
Interest	404,220.83		1,068,550.37	1,472,771.20
Interest on bank balances			1,096,748.72	1,096,748.72
Interest on investments			518,581.73	518,581.73
Repayment by carrier corporations account additions and betterments made by the Director General			8,452,522.00	8,452,522.00
Repairs to vessels requisitioned:				
Shipping Board			400,000.00	400,000.00
War Department			100,000.00	100,000.00
Navy Department			400,000.00	400,000.00
Dividends on stock of Locomotive Superheater Co			212,670.00	212,670.00
Recovered account cars built:				
Scrap sold	413,681.19		220,933.02	634,614.21
Specialties on equipment	90,953.90		7,846.67	98,800.57
Repayments by builders	322,894.26		33,460.41	356,354.67
Payments by carrier corporations			3,375,049.35	3,375,049.35
Received from War Department for charter hire of S. S. Cherokee			71,657.90	71,657.90
Liberty and Victory loan installments collected from employees			40,918.36	40,918.36
From N. Y., N. H. & H. R. R. on open account			1,309,000.00	1,309,000.00
Per diem earnings, G. E. T. cars			493,296.95	493,296.95
Associations and bureaus			196,769.21	196,769.21
From Boston & Maine R. R. for temporary bonds			931,000.00	931,000.00
Miscellaneous			66,828.95	66,828.95
Total	1,018,137,456.01	936,114,621.09	1,018,252,341.75	2,972,504,418.85

United States Railroad Administration—Treasurer's statement of receipts and disbursements from Jan. 1, 1919, to Mar. 31, 1920, inclusive—Continued.

EXPENDITURES DURING PERIOD AND BALANCES MAR. 31, 1920.

Items.	Appropriations unrequisitioned.	Disbursing officer's checking account.	Treasurer's checking account.	Total.
Disbursing officer's requisitions	$914,569,431.12			$914,569,431.12
Payments to carrier corporations and receivers:				
Loans		$5,502,505.00	$29,778,254.97	35,280,759.97
Advances on compensation		344,457,360.00	497,681,467.29	842,138,827.29
Open account and miscellaneous		526,000.00	5,128,339.42	5,654,339.42
Advances to Federal managers for current operating requirements		122,272,414.54	365,111,347.74	487,383,762.28
Payments to equipment builders, account construction of locomotives and cars		98,235,921.89	67,067,262.10	165,303,183.99
Advances to subsidiary officers:				
Inland waterways			10,270,041.00	10,270,041.00
Car-hire bureau			2,405,000.00	2,405,000.00
Transportation charges collected paid over to lines not under Federal operation			568,465.29	568,465.29
Investments:				
Southern Railroad Co. notes			3,335,230.00	3,335,230.00
Locomotive Superheater Co. stock			25,000.00	25,000.00
Boston & Maine R. R. bonds		20,283,220.83		20,283,220.83
Retirement of certificates of indebtedness and interest:				
Deposited with Treasurer of United States		288,526,150.13		288,526,150.13
Paid by treasurer United States Railroad Administration			121,454.00	121,454.00
Repayment of advance from War Finance Corporation and interest thereon		50,929,452.05		50,929,452.05
Expenses of administration:				
General expenses			3,290,463.59	3,290,463.59
Pay rolls			7,943,714.41	7,943,714.41
Payments to banks account of employees' subscriptions to Liberty and Victory bonds			348,594.05	348,594.05
Miscellaneous			20,375.76	20,375.76
Balances:				
In banks and Treasury to credit of Director General			25,157,332.13	134,106,953.67
With Treasurer United States to credit of disbursing officer		5,381,596.65		
Balance of appropriation unrequisitioned	103,568,024.89			
Total	1,018,137,456.01	936,114,621.09	1,018,252,341.75	2,972,504,418.85

Exhibit C.

United States Railroad Administration, Director General of Railroads—Estimated balance sheet as of Feb. 29, 1920.

Debit side.			Credit side.			Debit balance.	Credit balance.
Current assets:			Current liabilities:				
Accounts with corporations applied as offsets in settlements—			Accounts with corporations applied as offsets in settlements—				
Interest on compensation installments and loans.	$65,111,300.41		Balance due on compensation.	$827,411,034.20			
Interest on open accounts	20,667,335.51		Interest due companies on deferred installments of compensation.	98,237,255.82			
Additions and betterments—road and equipment.	483,472,337.42		Open accounts due companies.	52,302,305.96			
Allocated equipment (not to be funded).	12,269,537.80		Interest due companies on open accounts.	6,308,330.56			
Notes and open accounts due from carriers.	233,858,634.77		Interest due companies on payments, compensation, notes applied to addition and betterment accounts.	3,708,275.30			
			Cash payments, compensation, and credits applied to additions and betterments accounts.	101,444,260.87			
			Cash payments applied to allocated equipment.	2,122,549.35			
			Equipment depreciation and retirements (class 1 roads to which equipment has been allocated).	222,326,336.25			
Total accounts applied as offsets in settlements.		$815,379,145.91	Total accounts applied as offsets in settlements.		$1,313,860,348.31		$498,481,202.40
Other current assets—			Other current liabilities—				
Collectible within 60 days after Mar. 1, 1920—			Payable within 60 days after Mar. 1, 1920—				
Appropriation carried in transportation sct of 1920.	200,000,000.00		Traffic and car service balances payable.	45,725,233.12			
Cash	428,728,240.49		Loans and bills payable	8,781,147.58			
Special deposits	1,833,080.03		Audited accounts and wages payable.	414,400,080.37			
Traffic and car service balances.	44,124,389.54		Miscellaneous accounts	50,421,841.87			
Agents' and conductors' balances.	78,253,491.95		Unmatured rents accrued.	1,246,947.09			
Miscellaneous accounts receivable.	125,634,426.72		Other current liabilities	28,088,860.47			
			Alien property custodian	2,810,091.75			

Rents receivable	507,184.19	
Working fund advances	2,657,344.43	
Insurance and other funds	63,941.56	
Rents and insurance paid in advance.	2,594,488.29	
Other current assets	7,745,950.45	
Total collectible within 60 days after Mar. 1, 1920.		892,142,537.65
Collectible within 90 days after Mar. 1, 1920—		
Traffic and car service balances.	2,451,354.98	
Agents' and conductors' balances.	4,603,199.53	
Miscellaneous accounts receivable.	37,690,328.01	
Rents receivable	152,155.26	
Other current assets	2,323,785.13	
Other unadjusted debits	89,207,208.40	
Total collectible within 90 days after Mar. 1, 1920.		136,428,031.31
Collectible subsequent to 90 days after Mar. 1, 1920—		
Traffic and car service balances.	2,451,354.97	
Agents' and conductors' balances.	9,206,299.05	
Miscellaneous accounts receivable.	88,044,098.70	
Rents receivable	355,028.92	
Other assets	113,344,755.99	
Total collectible subsequent to 90 days after Mar. 1, 1920.		213,401,537.63
Total current assets		2,057,351,252.50

Liability for provident funds.	3,995,888.58			
Balances due on equipment.	10,000,000.00			
Tax liability	75,775,197.30			
Insurance paid casualty reserves.	662,419.71			
Operating reserves	8,554,176.62			
Contract liability for equipment on inland waterways uncompleted Mar. 1, 1920.	3,479,011.00			
Total payable within 60 days after Mar. 1, 1920.		653,935,895.46	$238,206,642.19	
Payable within 90 days after Mar. 1, 1920—				
Traffic and car service balances payable.	5,080,581.45			
Unmatured rents accrued.	623,473.55			
Other unadjusted credits	106,399,635.13			
Total payable within 90 days after Mar. 1, 1920.		112,103,690.13	24,324,341.18	
Payable subsequent to 90 days after Mar. 1, 1920—				
Unmatured rents accrued.	623,473.55			
Other unadjusted credits	110,899,635.14			
Road and equipment-depreciation and retirements.	114,673,728.71			
Reserve for lap-over items.	120,141,871.95			
Total payable subsequent to 90 days after Mar. 1, 1920.		346,338,709.35		132,937,171.72
Total current liabilities		2,426,238,643.25		368,887,390.77

United States Railroad Administration, Director General of Railroads—Estimated balance sheet as of Feb. 29, 1920—Continued.

Debit side.			Credit side.			Debit balance.	Credit balance.
Materials and supplies:			Materials and supplies:				
Ledger balance Feb. 29, 1920	$569,338,753.79		Ledger balance Dec. 31, 1917	$532,528,864.11			
			Estimated amount which the balance at Dec. 31, 1917, is less than the amount now required to replace materials and supplies taken over from carrier corporations Dec. 31, 1917	85,204,618.26			
Total materials and supplies		569,338,753.79	Total materials and supplies		617,733,482.37		$48,394,728.58
			Amount included in pending appropriation				[1] 417,282,119.33
Capital assets:			Capital liabilities:				
Allocated equipment (to be funded)	367,806,968.19		Appropriation for Federal control of transportation systems	1,250,000,000.00			
Road and equipment expenditures (not offset in settlements)	270,079,574.99		Appropriation carried in transportation act of 1920	200,000,000.00			
Open accounts and demand notes (not offset in settlements)	144,422,526.21						
Long-term notes of corporations	44,433,664.00						
Improvements on inland waterways	14,581,125.48						
Investments in stocks, bonds, and receivers' certificates	35,221,199.44						
Investments in miscellaneous physical property	1,798,861.24						
Miscellaneous investments (principally Liberty bonds)	88,459,443.22						
Total capital assets		966,803,362.77	Total capital liabilities		1,450,000,000.00		483,196,637.23
Total assets		3,593,493,369.06	Total liabilities		4,493,972,125.62		900,478,756.56
Profit and loss (debit balance)		900,478,756.56					
Total debit side		4,493,972,125.62	Total credit side		4,493,972,125.62		900,478,756.56

[1] As this estimated balance sheet is filed in connection with the application for appropriation, dated Apr. 2, 1920, it appears appropriate to make the following explanation which will appropriately connect this statement up with the letter to the Secretary of the Treausry:

ANALYSIS OF PROFIT AND LOSS ACCOUNT.

Estimated excess of operating expenses and rentals over operating revenues:		
Class 1 railroads	$677,513,151.56	
Other privately owned properties (smaller railroads, sleeping and refrigerator car lines, and steamship lines)	43,011,129.36	
Inland waterways	2,449,738.69	
Total	722,974,019.61	
Expense of central and regional organizations	13,954,979.69	
Deficit, American Railway Express Co	38,111,741.60	
Adjustment of materials and supplies in settlement with railroad companies on account of increased prices	85,204,618.26	
Net interest accruals for deferred compensation, open accounts, and additions and betterments	37,558,162.01	
Nonoperating income		$12,336,855.35
Deductions from gross income	10,118,034.36	
Miscellaneous profit and loss items	4,894,056.38	
Profit and loss, debit balance		900,478,756.56
Total	912,815,611.91	912,815,611.91

Amounts included in pending appropriation.

1. Amount indicated by this balance sheet, as above	$417,282,119
2. Administrative expenses of Railroad Administration for 1920	3,445,222
Total appropriation	420,727,341

OFFICE OF THE COMPTROLLER, *Washington, D. C., March 27, 1920.*

Exhibit D.

Allocated equipment.

CARS.

Name of railroad.	50-ton single sheathed box.	40-ton double sheathed box.	50-ton composite gondola.	55-ton hopper.	70-ton low side gondola.	Total.	Total cost.
Ann Arbor R. R	200					200	$610,000
Atchison, Topeka & Santa Fe R. R		2,700				2,700	7,881,300
Atlanta, Birmingham & Atlantic Ry	200		150			350	1,014,550
Atlantic Coast Line R. R		950	300			1,250	3,582,150
Baltimore & Ohio R. R	500			1,900	500	2,900	8,464,300
Bangor & Aroostook R. R							
Bessemer & Lake Erie R. R				500		500	1,408,500
Boston & Maine R. R		500	1,500			2,000	5,505,000
Buffalo, Rochester & Pittsburgh Ry				800		800	2,253,600
Carolina, Clinchfield & Ohio Ry	300			1,750		2,050	5,844,750
Central R. R. of New Jersey	500			1,000		1,500	4,608,500
Charleston & Western Carolina Ry		300				300	875,700
Chesapeake & Ohio Ry	1,000			2,000		3,000	8,684,000
Chicago & Alton R. R			500			500	1,348,500
Chicago & Eastern Illinois R. R							
Chicago & North Western Ry	1,000	1,250	1,000			3,250	9,395,750
Chicago, Burlington & Quincy R. R		500	1,000			1,500	4,156,500
Chicago, Indianapolis & Louisville Ry			300			300	809,100
Chicago, Milwaukee & St. Paul Ry	4,000					4,000	12,200,000
Chicago, Rock Island & Pacific Ry		2,500				2,500	7,297,500
Chicago, St. Paul, Minneapolis & Omaha Ry		500	200			700	1,998,900
Cincinnati, Indianapolis & Western R. R							
Cleveland, Cincinnati, Chicago & St. Louis Ry		1,000		1,000		2,000	5,736,000
Colorado & Southern Ry				300		300	845,100
Delaware & Hudson R. R	500			1,000		1,500	4,342,000
Delaware, Lackawanna & Western R. R		800		800		1,600	4,588,800
Detroit & Toledo Shore Line Ry				200		200	563,400
Detroit, Toledo & Ironton R. R		300				300	875,700
Duluth, South Shore & Atlantic Ry							
Elgin, Joliet & Eastern Ry		500				500	1,459,500
El Paso & Southwestern R. R			250			250	674,250
Erie R. R	200					200	610,000
Florida East Coast & Car Ferry Co		500				500	1,459,500
Georgia R. R	300		100			400	1,184,700
Grand Rapids & Indiana R. R	450		50			500	1,507,350
Grand Trunk Western Ry		600				600	1,751,400
Great Northern Ry		1,500				1,500	4,378,500
Hocking Valley Ry			500			500	1,348,500
Illinois Central R. R			2,650	1,000		3,650	9,964,050
Kanawha & Michigan Ry				500		500	1,408,500
Kansas City Southern Ry		100	200			300	831,300
Lehigh Valley R. R							
Long Island R. R	1,000		200	300		1,500	4,434,500
Louisville & Nashville R. R			1,000	1,000		2,000	5,514,000
Maine Central R. R	300					300	915,000
Michigan Central R. R	1,000		1,000			2,000	5,747,000
Minneapolis & St. Louis R. R		300	250			550	1,549,950
Missouri Pacific R. R		250	3,000			3,250	8,820,750
Mobile & Ohio R. R			100			100	269,700
Morgantown & Kingwood R. R				1,000		1,000	2,817,000
Nashville, Chattanooga & St. Louis Ry			200			200	539,400
New York Central R. R	1,000	1,000	1,000	1,000	500	4,500	13,070,000
New York, Chicago & St. Louis R. R							
New York, New Haven & Hartford R. R				1,500		1,500	4,225,500
Norfolk & Western Ry	800					800	2,440,000
Norfolk Southern R. R			50			50	134,850
Northern Pacific Ry							
Northwestern Pacific R. R		100				100	291,900
Pennsylvania Co. (west)	2,620		500	* 880	1,000	5,000	15,637,500
Pennsylvania Co. (east)	4,950			*1,000	1,500	7,450	23,408,500
Pere Marquette Ry		2,000		1,000		3,000	8,655,000
Philadelphia & Reading Ry	1,000			2,000	500	3,500	10,271,000
Pittsburgh & Lake Erie R. R	500				500	1,000	3,112,000
Pittsburgh, Cincinnati, Chicago & St. Louis R. R	880			*1,120		2,000	6,660,000
Richmond, Fredericksburg & Potomac R. R	350					350	1,067,500
St. Louis-San Francisco R. R		3,500	1,000			4,500	12,913,500
Seaboard Air Line Ry							
Southern Pacific Co	1,000					1,000	3,050,000
Southern Ry			2,000			2,000	5,394,000
Spokane, Portland & Seattle Ry		300				300	875,700

Allocated equipment—Continued.

CARS—Continued.

Name of railroad.	50-ton single sheathed box.	40-ton double sheathed box.	50-ton composite gondola.	55-ton hopper.	70-ton low side gondola.	Total.	Total cost.
Texas & Pacific Ry							
Toledo & Ohio Central Ry		250		500		750	$2,138,250
Toledo, St. Louis & Western Ry				450		450	1,267,650
Union Pacific System							
Wabash Ry		2,800		1,000		3,800	10,990,200
Washington Southern Ry	150					150	457,500
Western Maryland Ry	300					300	915,000
Wheeling & Lake Erie Ry			1,000			1,000	2,697,000
Assigned	25,000	25,000	20,000	*25,500	4,500	100,000	291,747,000

LOCOMOTIVES

Name of road.	Light Mikado.	Heavy Mikado.	Light Mountain.	Heavy Mountain.	Light Pacific.	Heavy Pacific.	Light Santa Fe.	Heavy Santa Fe.
Atlantic Coast Line					45			
Ann Arbor							4	
Baltimore & Ohio	100				30			
Boston & Maine R. R								20
Bessemer & Lake Erie								5
Boston & Albany							10	
Central R. R. of New Jersey		21						
Chesapeake & Ohio				5				
Chicago & Alton	10							
Chicago & Eastern Illinois	15							
Chicago, Burlington & Quincy		15						10
Chicago, Milwaukee & St. Paul		100						
Chicago, St. Paul, Minneapolis & Omaha		4						
Chicago & Western Indiana							5	
Chicago Great Western	10							
Chicago, Indianapolis & Louisville	5							
Chicago, Rock Island & Pacific	20							
Cleveland, Cincinnati, Chicago & St. Louis	25							
Colorado & Southern								5
Duluth, Missabe & Northern							10	
El Paso & Southwestern		5						
Erie Railroad		15				20		25
Fort Worth & Denver City		5			5			
Grand Trunk, East	15							
Grand Trunk, West	25							
Grand Rapids & Indiana	5							
Great Northern		4						
Kansas City Southern					3			
Lake Erie & Western	15							
Lehigh & Hudson River	4							
Louisville & Nashville	18	20			6			
Maine Central	6							
Michigan Central	20							
Missouri Pacific	25		7					
Monongahela	10							
Nashville, Chattanooga & St. Louis	10		5					
New York Central	84							
New York, Chicago & St. Louis	10							
New York, New Haven & Hartford			10					
Norfolk & Western				10				
Oregon Short Line	20							
Pennsylvania—West								41
Pere Marquette	30							
Pittsburgh & Lake Erie		15						
Pittsburgh & West Virginia		3						
Pittsburgh, Cincinnati, Chicago & St. Louis								89
Pittsburgh, McKeesport & Youghiogheny		15						
Rutland	6							
Seaboard Air Line	10						15	
Southern Railway	25		25				50	
St. Louis & San Francisco	33							
Texas & Pacific	11				7		18	
Toledo & Ohio Central	15							
Union Pacific	20							
Wabash Railway	20							
Western Pacific		5						
Wheeling & Lake Erie		20						
Total	625	244	47	15	96	20	112	159

Allocated equipment—Continued.

LOCOMOTIVES—Continued.

Name of road.	Light Mallet.	Heavy Mallet.	6-wheel switch.	8-wheel switch.	P. & R. construction.	Total.	Total cost.
Atlantic Coast Line			10			55	$2,843,455
Atlanta & West Point				2		2	88,000
Ann Arbor						4	249,200
Baltimore & Ohio		26	40			196	11,188,180
Boston & Maine R. R						20	1,365,000
Bessemer & Lake Erie						5	337,500
Boston & Albany						10	623,000
Carolina, Clinchfield & Ohio		10				10	975,600
Central R. R. of New Jersey			10			31	1,594,800
Chesapeake & Ohio	20					25	1,875,500
Chicago & Alton						10	536,000
Chicago & Eastern Illinois						15	804,000
Chicago & Northwestern			35			35	1,342,635
Chicago, Burlington & Quincy			10	10		45	2,470,840
Chicago, Milwaukee & St. Paul						100	6,111,600
Chicago, St. Paul, Minneapolis & Omaha			8			12	560,616
Chicago & Western Indiana						5	311,500
Chicago Great Western			5			15	716,000
Chicago, Indianapolis & Louisville						5	268,000
Chicago Junction Ry			14			14	504,000
Chicago, Rock Island & Pacific			10			30	1,432,000
Cleveland, Cincinnati, Chicago & St. Louis				10		35	1,780,000
Colorado & Southern						5	337,500
Duluth, Missabe & Northern						10	623,000
Elgin, Joliet & Eastern				8		8	352,000
El Paso & Southwestern						5	294,000
Erie Railroad				16		76	4,351,500
Fort Worth & Denver City						10	572,160
Georgia R. R., Lessees				2		2	88,000
Grand Trunk, East			5			20	995,805
Grand Trunk, West			5			30	1,520,000
Grand Rapids & Indiana						5	302,430
Great Northern						4	253,728
Indiana Harbor Belt				20		20	880,000
Kanawha & Michigan				3		3	132,000
Kansas City Southern						3	152,700
Kansas City Terminal				5		5	220,000
Lake Erie & Western				3		18	936,000
Lehigh & Hudson River						4	214,400
Louisville & Nashville				6		50	2,890,074
Maine Central			2			8	439,638
Michigan Central				10		30	1,512,000
Missouri Pacific						32	1,960,150
Mobile & Ohio			10			10	360,000
Monongahela						10	604,860
Nashville, Chattanooga & St. Louis						15	821,000
New York Central				34		118	5,998,400
New York, Chicago, & St. Louis						10	536,000
New York, New Haven & Hartford						10	570,000
Norfolk & Western		50				60	5,557,450
Northern Pacific				4		4	184,300
Oregon Short Line			5			25	1,252,000
Pennsylvania—West			20			61	3,628,772
Pere Marquette				10		40	2,151,382
Philadelphia & Reading					30	30	1,608,000
Pittsburgh & Lake Erie						15	905,160
Pittsburgh & West Virginia			2			5	232,800
Pittsburgh, Cincinnati, Chicago & St. Louis			10			99	6,784,593
Pittsburgh, McKeesport & Youghiogheny						15	905,160
Rutland				2		8	409,600
Seaboard Air Line			10			35	1,830,500
Southern Railway				20		120	6,760,000
St. Louis & San Francisco			7			40	2,250,793
Terminal R. R. Association of St. Louis			10			10	360,000
Texas & Pacific			14			50	2,736,592
Toledo & Ohio Central				5		20	1,024,000
Union Pacific			10			30	1,432,000
Virginian		20				20	1,844,000
Wabash Railway						20	1,099,544
Washington Terminal			3			3	115,083
Western Pacific						5	317,100
Wheeling & Lake Erie	10			5		35	2,179,000
Total	30	106	255	175	30	1,950	111,462,750

Allocated equipment under equipment trusts.

Name of trust.	Maximum price.	Minimum price.
1. Ann Arbor R. R.	$862,502.00	$786,900.00
2. Atch. Topk. & S. F. Ry.	7,917,480.00	7,357,500.00
3. Atl. Birm. & Atl. Ry.	1,026,241.50	957,750.00
4. Atl. Coast Line R. R.	6,273,773.00	5,929,875.00
5. Charl. & W. Car. Ry.	879,720.00	817,500.00
6. B. & O. R. R.	19,135,498.00	17,579,650.00
7. Morg. & Kingwood R. R.	2,829,320.00	2,505,000.00
9. Boston & Maine R. R.	6,948,715.00	6,695,000.00
10. Buf. Roch. & Pitts. Ry.	2,263,456.00	2,004,000.00
11. Car. Clinch. & O. R. R.	6,792,625.00	6,044,000.00
12. Cent. R. R. of N. J.	6,294,114.00	5,776,350.00
13. Ches. & Ohio Ry.	10,606,440.00	9,536,500.00
14. Chgo. & Alton R. R.	1,908,065.00	1,816,500.00
15. Chgo. & E. I. R. R.	803,340.00	741,000.00
16. Chgo. & N. W. Ry.	10,744,675.00	9,974,875.00
17. Chgo. & W. Ind. R. R.	310,015.00	279,875.00
18. Chgo. Burl. & Q. R. R.	6,561,925.00	6,084,000.00
19. Col. & Southern Ry.	1,181,381.00	1,053,750.00
20. Ft. Worth & Denv. C. Ry.	836,780.00	769,990.00
21. Chgo. Junction Ry.	504,686.00	443,450.00
22. Chgo. Ind. & Louis. Ry.	1,091,283.00	1,040,500.00
23. Chgo. Gr. W. R. R.	715,805.00	652,375.00
24. Chgo. Mil. & St. P. Ry.	18,142,700.00	16,445,000.00
25. Chgo. R. I. & Pac. Ry.	8,762,610.00	8,117,250.00
26. Chgo. St. P. Mlps. & O. Ry.	2,537,710.00	2,352,300.00
27. Delaware & Hudson Co.	4,365,545.00	3,912,500.00
28. Det. Tol. & Ironton R. R.	879,720.00	817,500.00
29. Erie Railroad	4,958,442.00	4,502,000.00
30. A. C. L. R. R. Co. & L. & N. R. R. Co., joint lessees of Georgia R. R.	1,284,060.00	1,184,500.00
31. Great Northern Ry.	4,632,716.00	4,294,900.00
32. Hocking Valley Ry.	1,372,505.00	1,322,500.00
33. Illinois Central R. R.	10,103,596.50	9,514,250.00
34. Kan. City Sou. Ry.	995,242.00	954,500.00
35. Kan. City Term. Ry.	219,560.00	188,750.00
37. L. & N. R. R.	8,279,590.00	7,600,150.00
38. Maine Central R. R.	1,315,169.00	1,204,250.00
39. Mlps. & St. L. R. R.	1,565,972.50	1,478,750.00
41. Mo. Pacific R. R.	2,669,014.30	2,547,900.00
41A. Mo. Pacific R. R.	2,669,014.30	2,547,900.00
41B. Mo. Pacific R. R.	2,671,946.70	2,550,625.00
41C. Mo. Pacific R. R.	2,696,019.70	2,589,825.00
42. Nash. Chatt. & St. L. Ry.	1,369,537.00	1,298,000.00
43. N. Y. Central R. R.	19,797,347.00	18,232,850.00
44. Cleve., Cin., Chgo. & St. L. Ry.	7,539,740.00	6,842,500.00
45. Ind. Harbor Belt R. R.	878,240.00	755,000.00
46. Kanawha & Mich. Ry.	1,546,396.00	1,365,750.00
47. Lake Erie & Western R. R.	935,076.00	854,250.00
48. Michigan Central R. R.	7,327,700.00	6,825,500.00
49. Pitts. & Lake Erie R. R.	877,935.00	777,750.00
50. Pitts. McK. Yough. R. R.	4,020,585.00	3,735,250.00
51. Rutland R. R.	409,160.00	371,900.00
52. Toledo & Ohio Cent. Ry.	3,179,660.00	2,863,500.00
53. N. Y., N. H. & H. R. R.	4,813,930.00	4,307,500.00
54. Norfolk & Western Ry.	7,673,680.00	6,887,750.00
55. Norfolk Southern Ry.	137,250.50	132,250.00
56. N. W. Pacific R. R.	293,240.00	272,500.00
59. Pennsylvania R. R.	61,921,393.50	57,873,500.00
60. Monongahela Ry.	535,560.00	494,000.00
63. Pere Marquette Ry.	10,739,920.00	9,814,500.00
65. Rich. Fdksbg. & Pot. R. R.	1,075,357.50	985,250.00
66. Seaboard Air Line Ry.	1,826,095.00	1,650,375.00
67. Southern Ry.	10,977,193.00	10,293,250.00
68. Mobile & Ohio R. R.	634,991.00	530,250.00
69. Southern Pacific Co.	3,072,450.00	2,815,000.00
70. Spokane, Portland & S. R. R.	879,720.00	817,500.00
71A. St. Louis-San Fran. Ry.	3,030,130.00	2,831,700.00
71B. St. Louis-San Fran. Ry.	3,030,130.00	2,831,700.00
71C. St. Louis-San Fran. Ry.	3,030,130.00	2,831,700.00
71D. St. Louis-San Fran. Ry.	3,030,130.00	2,831,700.00
71E. St. Louis-San Fran. Ry.	2,907,581.00	2,707,625.00
72. Term. R. R. Assn. of St. L.	360,496.00	315,750.00
73. Texas & Pacific Ry.	2,525,289.00	2,393,337.00
74. Toledo, St. L. & W. R. R.	1,273,194.00	1,127,250.00
75. Detroit & Tol. Shore L. R. R.	565,864.00	501,000.00
76. Virginian Ry.	1,839,160.00	1,631,500.00
77. Wabash Ry.	12,111,160.00	11,123,000.00
78. Washington Southern Ry.	460,867.50	422,250.00
79. Washington Terminal Co.	108,147.00	95,025.00
80. Western Maryland Ry.	921,735.00	844,500.00
82. Wheeling & Lake Erie Ry.	4,918,370.00	4,587,250.00
83. Grand Trunk Western Ry.	3,278,585.00	3,028,375.00
84. Grand Trunk Ry. of Canada	983,585.00	899,375.00
85. Alabama Great Southern R. R.	170,985.00	165,000.00
86. Cin. N. Orl. & Tex. Pac. Ry.	1,040,095.00	957,750.00
	374,647,756.50	345,875,352.00

Unallocated equipment under equipment trusts.

Number of trust.	Maximum price.	Minimum price.
4A. Atlantic Coast Line R. R.	$450,035.25	$450,035.25
13A. Chesapeake & Ohio Ry	1,778,480.00	1,669,500.00
32A. Hocking Valley Ry	1,617,120.00	1,499,000.00
37A. Louisville & Nashville R. R.	2,869,809.24	2,869,809.24
40. Mo., Kansas & Texas Ry	1,429,456.25	1,262,500.00
	8,144,900.74	7,741,844.49

Allocated equipment not under trusts.

Philadelphia & Reading Ry	$12,108,265.00	$10,925,340.00
Del., Lack. & Western R. R.	4,609,376.00	4,184,000.00
El Paso & Southwestern Co.	978,897.00	920,500.00
Duluth, Missabe & Northern Ry	620,000.00	559,750.00
New York, Chgo. & St. Louis R. R.	535,560.00	494,000.00
Bessemer & Lake Erie R. R.	1,753,245.00	1,554,750.00
Florida East Coast Ry	1,871,940.00	1,871,940.00
Union Pacific R. R.	1,431,810.00	1 304,750.00
Elgin, Joliet & Eastern Ry	1,817,496.00	1,664,500.00
Oregon Short Line R. R.	1,251,815.00	1,146,375.00
Western Pacific R. R.	292,645.00	259,250.00
Pittsburgh & W. Virginia Ry	232,800.00	211,550.00
Lehigh & Hudson River Ry	214,224.00	197,600.00
Northern Pacific Ry	175,648.00	151,000.00
Atlanta & West Point R. R.	97,824.00	75,500.00
	27,991,545.00	25,520,805.00

Classification of allocated equipment.

CARS.

Class of car:	Units.
50-ton single sheathed box	25,000
40-ton double sheathed box	25,000
50-ton composite gondola	20,000
55-ton hopper	25,500
70-ton low side gondola	4,500
Total	100,000

LOCOMOTIVES.

Class of locomotive:	
Light Mikado	625
Heavy Mikado	244
Light mountain	47
Heavy mountain	15
Light Pacific	96
Heavy Pacific	20
Light Santa Fe	112
Heavy Santa Fe	195
Light Mallet	30
Heavy Mallet	106
6-wheel switch	255
8-wheel switch	175
P. & R. consolidated	30
Total	1,950

EXHIBIT E.

Standard contracts between the Director General of Railroads and carriers under Federal control, executed up to Apr. 3, 1920.

[Indentations indicate subsidiary parties to the one contract. *Indicates Class 1 roads. #Indicates contracts executed but not delivered.]

Effective date.		Compensation.
7/1/18.	Abilene Southern Railway Company	$78, 375. 18
	*Alabama Great Southern	1, 703, 179. 65
	*Alabama & Vicksburg Railroad	322, 854. 47
	American Refrigerator Transit Co	546, 707. 97
	Ashland Coal & Iron Railway Co	73, 569. 57
	*Atchison, Topeka & Santa Fe	42, 885, 310. 30
	Grand Canyon Railroad.	
	Kansas & Southwestern Railroad.	
	Rio Grande, El Paso & Santa Fe.	
	Gulf, Colorado & Santa Fe.	
	*Panhandle & Santa Fe.	
	*Atlanta, Birmingham & Atlantic Ry. Co	480, 000. 00
	(ICC advises of probable reduction in standard return.)	
	*Atlanta & West Point Railroad	252, 995. 16
8/1/18.	Atlantic & Western Railroad	12, 660. 72
	*Atlantic Coast Line Railroad	10, 185, 942. 34
	Washington & Vandemere.	
	Tampa Southern.	
11/1/18.	Augusta Southern Railway	28, 000. 00
	*Baltimore, Chesapeake & Atlantic R. R. Co	86. 647. 38
	*Baltimore & Ohio	30, 031, 009. 14
	*Staten Island Rapid Transit Co.	
	Sandy Valley & Elkhorn.	
	B. & O. Chicago Terminal.	
	*Coal & Coke.	
	Long Fork Railway.	
	*Bangor & Aroostook Railroad	1, 575, 171. 64
	Van Buren Bridge Co.	
	Bath & Hammondsport R. R. Co	7, 221. 43
7/1/18.	Bennetsville & Cheraw	29, 077. 92
5/1/18.	Birmingham & Northwestern Railway	34, 522. 86
	*Boston & Maine	9, 832, 490. 52
	Vermont Valley Railway Co.	
	Montpelier & Wells River.	
	Barre & Chelsea R. R. Co.	
	Sullivan County R. R. Co.	
	Brooklyn Eastern District Terminal	306, 259. 63
	*Buffalo & Susquehanna Railroad Corp	592, 627. 53
	"Buffalo Creek Railroad"	409, 397. 76
	*Buffalo, Rochester & Pittsburgh Railway	3, 276, 410. 42
	*Central New England	1, 468, 123. 63
	*Carolina, Clinchfield & Ohio Ry. Co	1, 839, 255. 69
	Carolina, Clinchfield & Ohio Ry. of South Carolina.	
	Black Mountain Railway Co.	
	*Central of Georgia Railroad	3, 444, 158. 64
	Wadley Southern.	
	Sylvania Central.	
	*Central Vermont Railway	835, 402. 22
	Central Vermont Trans. Co.	
	*Central Railroad Company of New Jersey	9, 352, 301. 13
	Central Union Depot & Railway Co. of Cincinnati	114, 842. 27
	*Charleston & Western Carolina Railway	466, 921. 15
	*Chesapeake & Ohio Ry. Co	13, 888, 418. 76
	Chesapeake & Ohio Northern.	
	Chesapeake & Ohio Ry. of Indiana.	

Effective date.		Compensation.
5/1/18.	Chesapeake Steamship Company	$102, 048. 99
	*Chicago & Northwestern Railway Company	23, 364, 028. 55
	Missouri Valley & Blair Ry. and Bridge Co.	
	Pierre & Ft. Pierre Bridge & Ry. Co.	
	Pierre Rapid City & Northwestern.	
	Wolf River Valley.	
	Wyoming & Northwestern.	
	Chicago & Western Indiana Railroad Co.	
	(Joint facility contract; compensation, sum of joint facility rents).	
	*Chicago, Burlington & Quincy R. R. Co	33, 390, 079. 61
	Black Hill & Fort Pierre.	
	Deadwood Central.	
	*Quincy, Omaha & Kansas City.	
	*Chicago Great Western Railroad Co	2, 953, 449. 94
	*Chicago, Indianapolis & Louisville Ry. Co	1, 620, 258. 75
	Chicago Heights Terminal Transfer R. R. Co	67, 131. 89
	*Chicago, Milwaukee & St. Paul Ry. Co	27, 946, 771. 45
	Tacoma Eastern R. R. Co.	
	Bellingham & Northern Ry. Co.	
	Seattle, Port Angeles & Western Ry. Co.	
	Milwaukee Terminal Ry. Co.	
	Puget Sound & Willapa Harbor Ry. Co.	
	Gallatin Valley Railway Co.	
	Chicago Junction Railway	916, 804. 03
	*Chicago, Rock Island & Pacific Railway	15, 880, 681. 22
	*Chicago, Rock Island & Gulf.	
	Chicago River & Indiana Railroad Co	108, 525. 82
	*Chicago, St. Paul, Minneapolis & Omaha Ry	4, 934, 789. 51
	*Chicago, Terre Haute & Southeastern Ry	922, 784. 87
	*Cincinnati, New Orleans & Texas Pacific Ry	3, 596, 924. 17
	Cincinnati, Burnside & Cumberland River Ry.	
	Harriman & Northeastern.	
	*Cincinnati Northern Railroad	317, 628. 01
	*Cleveland, Cincinnati, Chicago & St. Louis	9, 945, 738. 41
	Muncie Belt Railway.	
	*Colorado & Southern	2, 833, 578. 93
	*Wichita Valley.	
	Cumberland & Pennsylvania R. R	255, 692. 10
	*Delaware & Hudson Co	7, 480, 204. 83
	Greenwich & Johnsonville.	
	Schoharie Valley R. R.	
	Cooperstown & Charlotte Valley.	
	Lake George Steamboat Co.	
	Champlain Trans. Co.	
	*Delaware, Lackawanna & Western	15, 749. 476. [illegible]
	Dennison & Pacific Suburban Ry. Co	4, 702. 45
	*Denver & Rio Grande	8, 319, 376. 67
	(ICC advises will probably reduce standard return.)	
	*Detroit & Mackinac Ry. Co	310, 664. 04
	Detroit, Bay City & Western	85, 967. 39
	Detroit, Terminal Railroad	186, 460. 40
7/1/18.	Durham & Southern Ry. Co	134, 221. 70
	*Duluth, South Shore & Atlantic Ry. Co	562, 348. 06
	*El Paso & Southwestern	4, 145, 102. 30
	*Erie Railroad	15, 729, 068. 09
	*Chicago & Erie.	
	Escanaba & Lake Superior Railroad	58, 688. 01
	*Florida East Coast Ry. Co	2, 408, 170. 75
	*Ft. Worth & Denver City Ry. Co	1, 891, 386. 40
	Gainesville Midland	22, 731. 58
	Galveston, Houston & Henderson R. R	127, 366. 25
8/1/18.	Galveston Wharf Co	526, 069. 92
11/1/18.	Georgia & Florida Ry	88, 000. 00
9/1/18.	Georgia, Florida & Alabama Ry	57, 637. 73

Effective date.		Compensation.
9/1/18.	*Georgia Southern Florida	$514,890.43
	Hawkinsville & Fla. Sou.	
	*Georgia Railroad	858,622.42
	*Grand Rapids & Indiana	929,385.42
	*Green Bay & Western Railroad	331,954.91
	Ahnapee & Western Ry. Co.	
	Kewaunee, Green Bay & Western R. R. Co.	
	*Great Northern Railway	28,771,360.78
	Duluth & Superior Bridge.	
	Duluth Terminal.	
	Great Falls & Teton County.	
	Great Northern Equipment Co.	
	Great Northern Terminal.	
	Minneapolis Western.	
	Minneapolis Belt.	
	Montana Eastern.	
	Watertown & Sioux Falls.	
	*Gulf & Ship Island Railroad Co	595,883.21
8/1/18.	Gulf, Texas & Western Railway	[1] 29,734.80
	Hamilton Belt Railway	7,040.29
	*Hocking Valley Railway	2,637,167.48
	Hudson & Manhattan	3,003,362.77
	Huntingdon & Broad Top Mountain R. R. & Coal Co	201,694.22
	*Illinois Central	16,540,717.32
	Chicago, Memphis & Gulf.	
	Dunleigh & Dubuque Bridge.	
	Central Elevator & Warehouse Co.	
	Mississippi Valley Corporation.	
	Indiana Harbor Belt	296,053.57
	*Kansas City, Mexico & Orient R. R	150,000.00
	*The Kansas City, Mexico & Orient Ry. of Texas.	
	Lake Erie & Eastern	127,081.06
	*Lake Erie & Western	1,548,541.69
	Leavenworth Terminal Ry. & Bridge Co	43,583.48
	*Lehigh & New England Railroad Co	1,135,760.91
	*Lehigh & Hudson River Ry	519,371.13
	*Lehigh Valley R. R	11,321,233.25
	*Los Angeles & Salt Lake R. R	3,414,751.10
	*Louisville & Nashville R. R	17,310,494.67
	*Louisville, Henderson & St. Louis Ry	343,915.53
	*Louisiana & Arkansas Ry. Co	359,362.34
	Louisiana & Mississippi R. R. & Trans. Co	41,689.33
	Louisville & Wadley R. R. Co	5,367.23
	Marquette & Bessemer Dock & Nav. Co	19,407.63
	*Maryland, Delaware & Virginia Ry. Co	49,543.23
	*Maine Central Railroad Co	2,955,696.88
7/1/18.	Memphis, Dallas & Gulf R. R	28,295.70
	*Michigan Central R. R	8,105,727.04
	Chicago, Kalamazoo & Saginaw.	
	*Mineral Range	144,005.79
	*Minneapolis & St. Louis R. R	2,812,008.05
	Railway Transfer Company of the City of Minneapolis.	
	Minneapolis Eastern Ry. Co	30,332.61
	*Minneapolis, St. Paul & Sault Ste. Marie	10,547,428.70
	Minnesota & International Ry. Co	202,455.24
9/24/18.	*Missouri & North Arkansas	175,000.00
	Missouri & Illinois Bridge & Belt R. R. Co	102,518.06
	*Missouri Pacific R. R. Co	$14,312,343.81
	Arkansas Central R. R.	
	Natchez & Southern R. R.	
	Coal Belt Electric Rt.	
	Union Railway Co.	
	Natchez & Louisiana Ry. & Trans. Co.	
	*Mobile & Ohio	2,597,478.39

[1] Lump sum.

Effective date.		Compensation.
3/21/18.	Morgantown & Kingwood Railroad Co.	$51,362.93
	*Nashville, Chattanooga & St. Louis R. R.	3,182,089.03
	New England Steamship Company	1,050,753.33
	The Hartford & New York Trans. Co.	
	New Bedford, Martha's Vineyard & Nantucket Steamboat Co.	
	*New Orleans & Northeastern R. R. Co.	1,204,992.06
	*New Orleans & Great Northern Railroad Co.	575,951.79
	*New York Central Railroad	58,122,084.92
	Kanawha & West Virginia.	
	Zanesville & Western.	
	*Kanawha & Michigan.	
	*Toledo & Ohio Central.	
	New York Connecting Railroad Co.	850,000.00
	*New York, New Haven & Hartford R. R. Co.	17,095,884.34
	*New York, Ontario & Western	2,103,589.41
	*New York, Susquehanna & Western	999,941.74
	Wilkes-Barre & Eastern.	
	Norfolk & Portsmouth Belt Line R. R. Co.	48,667.65
	*Norfolk & Western Railway	20,640,899.98
	New River, Holston & Western.	
	Tug River & Kentucky.	
	Virginia-Carolina Railway.	
	Williamson & Pond Creek.	
	*Norfolk Southern Railroad Co	1,280,000.00
	Kinston, Carolina Railroad Co.	
	Carolina Railroad Co.	
	Carthage & Pinehurst R. R. Co.	
	*Northern Pacific Railway	30,130,068.81
	Big Fork & International Falls.	
	Gilmore & Pittsburgh.	
	*Northwestern Pacific Railroad	1,338,000.00
	Ocean Steamship Co. of Savannah	1,048,782.69
	Pacific Coast Railroad Co	114,080.63
	Pacific Fruit Express Co	1,218,324.68
	*Pennsylvania Lines (West)	15,154,719.81
	Wheeling Terminal Railway.	
	*Cincinnati, Lebanon & Northern.	
	Ohio River & Western.	
	Manufacturers Railway.	
	*Pennsylvania Railroad	53,603,427.58
	Baltimore & Sparrow Point R. R.	
	*Cumberland Valley R. R.	
	*New York, Philadelphia & Norfolk.	
	Union Railroad Co. of Baltimore.	
	Barnegat Railroad.	
	Philadelphia & Beach Haven.	
	Rosslyn Connecting Railroad.	
	Peoria & Pekin Union Ry	306,513.72
	*Pere Marquette Ry. Co	3,748,196.09
	Philadelphia & Camden Ferry	401,556.86
	*Philadelphia & Reading Railway Co	17,094,334.10
	*Atlantic City Railroad Co.	
	Catasaqua & Fogelsville R. R.	
	The Chester & Delaware River R. R.	
	Gettysburg & Harrisburg Ry.	
	Middletown & Hummelstown R. R.	
	North East Pennsylvania R. R.	
	*Perkiomen Railroad.	
	Philadelphia & Chester Valley Railroad.	
	Pickering Valley Railroad.	
	Philadelphia, Newtown & New York.	
	*Port Reading Railroad.	
	Reading & Columbia Railroad.	
	Rupert & Bloomsburg R. R.	
	Stony Creek Railroad.	

Effective date.		Compensation.
3/21/18.	Philadelphia & Reading Railway Co.—Continued.	
	Tamaqua. Hazleton & Northern R. R.	
	Williams Valley.	
	Philadelphia Grain Elevator Co.	
	Delaware River Ferry Co. of New Jersey	
	Pittsburgh, Chartiers & Youghiogheny Ry	$180,614.38
	*Pittsburgh, Cincinnati, Chicago & St. Louis R. R	11,334,093.67
	*Pittsburgh & Lake Erie R. R	8,980,219.40
	Port Huron Southern Railroad	11,025.78
	Pullman Company	11,750,000.00
	*Richmond, Fredericksburg & Potomac	1,137,373.75
	*Rutland Railroad	1,023,883.21
9/1/18.	Salina Northern Railroad	15,000.00
	*San Antonio & Aransas Pass Ry	456,684.00
	St. Louis Merchants Bridge Terminal Ry	412,427.56
	*St. Joseph & Grand Island Ry	373,811.11
	St. Paul Bridge & Terminal Ry. Co	67,509.40
	Sioux City Terminal Railway Co	17,352.93
	*Southern Pacific	47,959,898.08
	*Arizona Eastern.	
	*Houston Texas Central.	
	*Galveston, Harrisburg & San Antonio.	
	*Texas & New Orleans.	
	Houston & Shreveport.	
	*Houston East & West Texas.	
	*Morgan's Louisana & Texas R. R. & S. S. Co.	
	*Louisiana Western.	
	Lake Charles & Northern.	
	Iberia & Vermillion.	
	Southern Pacific Terminal Co	284,761.95
	Sunset Railway Company	64,562.79
9/1/18.	Susquehanna & New York R. R. Co	56,884.89
	*Toledo, Peoria & Western Railway Co	159,739.77
	Terminal Railway Ass'n. of St. Louis	2,574,510.88.
	*Texas & Pacific Ry. Co	4,107,432.49
	(Bureau of Carriers' Accounts advises standard return will probably be reduced to amount of $459,924.03.)	
8/1/18.	Trinity & Brazos Valley	[1] 100,000.00
	Trans-Mississippi Terminal R. R. Co	665,391.57
	Troy Union Railroad Co	11,852.59
	Union Freight Railroad Co	32,009.69
	*Union Pacific R. R	38,552,928.79
	*Oregon Short Line.	
	*Oregon & Washington Ry. & Nav. Co.	
	Des Chutes Ry.	
	Green River Water Co.	
	Rattlesnake Water Co.	
	Union Pacific Water Co.	
	*Vicksburg, Shreveport & Pacific Ry. Co	337,947.96
	*Washington Southern	468,432.81
	Waterloo, Cedar Falls & Northern R. R. Co	374,373.41
	Weatherford, Mineral Wells & Northwestern	31,148.57
	*West Jersey & Seashore R. R. Co	952,681.93
	*Western Ry. of Alabama	288,237.53
	Wrightsville & Tennille R. R	41,027.82
	Winston-Salem Southbound Ry	260,251.62
	Wiggins Ferry Co	416,675.60
	East St. Louis Connecting.	
	St. Louis Transfer.	
	*Yazoo & Mississippi Valley	3,862,317.83
	York Harbor & Beach R. R. Co	5,880.23

123 class 1 roads.
165 contracts with total annual compensation 812,428,607.05
2 contracts with lump sum of 129,734.80

[1] Lump sum.

EXHIBIT F.

UNITED STATES RAILROAD ADMINISTRATION—DIRECTOR GENERAL OF RAILROADS.

List of properties in Federal operation with which contracts have not been executed.

[All carriers were placed under Federal control as of January 1, 1918, and relinquished February 29, 1920, except where otherwise noted on face of statement.]

CLASS I RAILROADS AND LARGE TERMINAL COMPANIES.

Ann Arbor.
Beaumont, Sour Lake & Western (included in Gulf coast lines).
Belt Railroad of Chicago.
Bessemer & Lake Erie.
Chicago & Alton.
Chicago & Eastern Illinois.
Chicago, Peoria & St. Louis.
Cincinnati, Indianapolis & Western.
Denver & Salt Lake (placed under Federal control July 1, 1918).
Detroit & Toledo Shore Line.
Detroit, Toledo & Ironton.
Duluth & Iron Range.
Duluth, Missabe & Northern.
Elgin, Joliet & Eastern.
Fort Worth & Rio Grande.
Grand Trunk Lines in New England:
- Atlantic & St. Lawrence.
- Lewiston & Auburn.

Grand Trunk Western.
Gulf Coast Lines:
- Beaumont, Sour Lake & Western.
- New Orleans, Texas & Mexico.
- St. Louis, Brownsville & Mexico.
- Louisiana Southern.
- New Iberia & Northern.
- Orange & Northwestern.

Gulf, Mobile & Northern.
International & Great Northern.
Kansas City Terminal.
Kansas City Southern.
Long Island.
Midland Valley.
Missouri, Kansas & Texas.
Missouri, Kansas & Texas Railroad of Texas.
Missouri, Oklahoma & Gulf (placed under Federal control Jan. 1, 1919).
Monongahela.
Mississippi Central.
New Orleans, Texas & Mexico (included in Gulf coast lines).
New York, Chicago & St. Louis.
Pittsburgh & Shawmut.
Pittsburgh & West Virginia.
St. Louis, Brownsville & Mexico (included in Gulf coast lines).
St. Louis-San Francisco.
St. Louis, San Francisco & Texas.
St. Louis Southwestern.
St. Louis Southwestern Railroad of Texas.
Seaboard Air Line.
Southern.
Southern Railroad in Mississippi.
Spokane, Portland & Seattle.
Tennessee Central.
Texarkana & Fort Smith.
Ulster & Delaware.
Virginian.
Wabash.
Western Maryland.
Western Pacific.
Wheeling & Lake Erie.
Wichita Falls & Northwestern.

CLASS II RAILROADS.

Atlantic & Yadkin.
Blue Ridge.
Carolina & Northwestern.
Central Indiana.
Central New York Southern (placed under Federal control July 18, 1918).
Chicago, Milwaukee & Gary.
Copper Range.
Danville & Western.
Dayton & Union.
Evansville & Indianapolis (placed under Federal control June 1, 1918).
Farmers Grain & Shipping.
Houston & Brazos Valley.
Kansas City, Clinton & Springfield.
Lake Erie & Pittsburgh.
Lake Superior & Ishpeming (placed under Federal control Mar. 31, 1919).
Lewiston & Auburn (included in Grand Trunk lines in New England).
Litchfield & Madison.
Lorain & West Virginia.
Lorain, Ashland & Southern.
Louisiana Southern (included in Gulf Coast lines).
Macon, Dublin & Savannah.
Manistique & Lake Superior.
Missouri, Oklahoma & Gulf of Texas.
Munsing, Marquette & Southeastern (placed under Federal control Apr. 1, 1919).
New Jersey & New York.
New York & Long Branch.
Northern Alabama.
New Iberia & Northern (included in Gulf Coast lines).
Orange & Northwestern (included in Gulf Coast lines).
Oregon Trunk.
Paris & Great Northern.
Quanah, Acme & Pacific.
Rio Grande Southern.
St. Johnsbury & Lake Champlain.
San Antonio, Uvalde & Gulf.
Sapulpa & Oil Field (included in St. Louis-San Francisco).
Sussex.
Tallulah Falls.
Tampa Northern.
Texas Midland
West Side Belt.
Yadkin.

CLASS III RAILROADS.

Arkansas Western.
Asheville & Craggy Mountain.
Brownwood North & South.
Carolina & Tennessee Southern.
Cherry Tree & Dixonville.
Chesterfield & Lancaster.
Charlotte, Monroe & Columbia.
Deep Creek.
Eastern Texas.
East & West Coast.
Fairchild & Northeastern (placed under Federal control Aug. 1, 1918).
Hartwell.
High Point, Randleman, Asheboro & Southern.
Kankakee & Seneca.
Lackawanna & Montrose.
Lawrenceville Branch.
Little Kanawha.
Maridian & Memphis.
Marion & Southern.
Narragansett Pier.
Ontonagon.
Poteau Valley.
Raleigh & Charleston.
Rapid City, Black Hill & Western (placed under Federal control July 1, 1918).
Sidell & Olney.
Tampa & Gulf Coast.
Washington & Vandemere (included in Atlantic Coast Line).
Waupaca-Green Bay.
Wood River Branch.
Cumberland Railroad.
Rockport, Langdon & Northern (placed under Federal control July 18, 1918). (Included in C. B. & Q.)

SWITCHING AND TERMINAL COMPANIES NOT INCLUDED WITH CLASS I RAILROADS.

Akron & Barberton Belt.
Akron Union Passenger Depot.
Albany Passenger Terminal.
Alton & Southern.
Arkansas & Memphis R. R. Bridge & Terminal.
Atchison Union Depot.
Atlanta Terminal.
Augusta & Summerville.
Augusta Union Station.
Beaumont Wharf & Terminal.
Bellington & Northern.
Birmingham Belt (included in St. Louis-San Francisco).
Birmingham Terminal.
Boston Terminal.
Calumet Western.
Charleston Terminal.
Charleston Union Station.
Chattanooga Station.
Chicago River & Indiana.
Columbia Union Station.
Connecting Terminal.
Dallas Terminal Railway and Union Depot.
Davenport, Rock Island & Northwestern.
Dayton Union.
Denver Union Terminal.
Des Moines Union.
Des Moines Terminal.
Duluth Union Depot & Transfer.
Durham Union Station.
El Paso Union Passenger Depot.
Erie Terminal.
Fort Street Union Depot.
Fort Worth Belt (placed under Federal control July 1, 1918).
Fort Worth Union Passenger Station.
Gulf Terminal.
Goldsboro Union Station.
Hannibal Union Depot.
Houston Belt & Terminal.
Indianapolis Union.
Iowa Transfer.
Illinois Terminal.
Jacksonville Terminal.
Joliet Union Depot.
Joplin Union Depot.
Kansas City, Shreveport & Gulf Terminal.
Kentucky & Indiana Terminal.
Keokuk Union Depot.
Lake Superior Terminal & Transfer Railroad of the State of Wisconsin.
Leavenworth Depot & Railroad.
Louisville & Jeffersonville Bridge.
Louisville Bridge & Terminal.
Macon Terminal.
Memphis Union Station.
Meridian Terminal.
Minnesota Transfer.
New Orleans Terminal.
Norfolk Terminal.
Northwestern Terminal (placed under Federal control July 1, 1918).
Northern Pacific Terminal of Oregon.
North Charleston Terminal.
New York Bay.
Ogden Union Railroad & Depot.
Paducah & Illinois.
Peoria Railway Terminal.
Philadelphia Belt Line.
Pueblo Union Depot.
Portland Terminal.
Port Arthur Canal & Dock.
Railway Transfer of the City of Minneapolis (included in Minneapolis & St. Louis).
Rock Island Frisco Terminal.
St. John River Terminal.
St. Joseph Terminal.
St. Joseph Union Depot.
St. Paul Union Depot.
Sainte Marie Union Depot.
Salt Lake City Union Depot & R. R.
Savannah Union Station.
Savannah River Terminal.

Shreveport Bridge & Terminal.
Sioux City Bridge.
Southern Illinois & Missouri Bridge.
Tampa Union Station.
Toledo Terminal.
Union Depot (Columbus, Ohio).
Union Terminal (Dallas, Tex.).
Washington Terminal.
West Tulsa Belt (Inc. in St. Louis-San Francisco).
Wilkes-Barre Connecting.
Winona Bridge.
Woodstock & Blocton.
Wilmington Ry. Bridge.
Richmond Terminal (placed under Federal control Jan. 1, 1919).

CARRIERS BY WATER.

Baltimore Steam Packet Lines.
Clyde Steamship Line (placed under Federal control April 13, 1918—relinquished November 30, 1918.)
Direct Navigation Line.
Lehigh Valley Transportation Line (part of Lehigh Valley).
Mackinac Transportation Line.
Mallory Steamship Line (placed under Federal control April 13, 1918—relinquished November 30, 1918.
Merchants & Miners Steamship Line (placed under Federal control April 13, 1918—relinquished November 30, 1918).
Old Dominion Steamship Line (placed under Federal control April 13, 1918—relinquished November 30, 1918).
San Francisco & Portland Steamship Line (placed under Federal control May 29, 1918).
Southern Steamship Line (placed under Federal control April 13, 1918—relinquished November 30, 1918).
Southern Pacific Steamship Line.
Virginia Navigation Line.

ELECTRIC LINES.

Fort Dodge, Des Moines & Southern.
Oregon Electric.
Piedmont & Northern.
Tidewater Southern.

INLAND WATERWAYS.

Boston & Cape Cod New York Canal (placed under Federal control July 25, 1918).
New Jersey Canal.
New York Canal.
Mississippi Warrior Waterways—equipment only.

CAR LINES.

Chicago, New York & Boston Refrigerator Co. (placed under Federal control June 1, 1918).
Glenn Pool Tank Line.

SHORT LINE CONTRACTS—COOPERATIVE.

Akron, Canton & Youngstown Ry.
Alabama Central R. R.
Alabama Central Ry.
Alabama, Florida & Gulf R. R.
Alabama & Mississippi R. R.
Alabama & Northwestern R. R.
Alabama, Tennessee & Northern R. R.
Arcade & Attica R. R.
Atlanta & St. Andrews Bay Ry.
Atlantic Northern Ry.
Atlantic, Waycross & Northern R. R.
Augusta Northern Ry.
Augusta R. R.
Bartlett Western Ry.
Batesville Southwestern R. R.
Beaver, Meade & Englewood R. R.
Birmingham & Southeastern Ry.
Bowdon Ry.
Boyne City, Gaylord & Alpena R. R.
Bristol R. R.
Butler Country R. R.
California Southern R. R.
California Western R. R. & Navigation Co.
Carolina & Yadkin River Ry.
Central Ry. Co. of Arkansas.
Cheat Haven & Bruceton R. R.
Carrollton & Worthville R. R.
Chesapeake Western Ry.
Chicago, Harvard & Geneva Lake Ry.
Charles City Western Ry.
Columbia, Newberry & Laurens R. R.
Coudersport & Fort Allegheny R. R.
Cumberland & Manchester R. R.
Delaware & Northern R. R.
Delaware Valley Ry.
East Berlin R. R.
East Carolina Ry.
East Jordan & Southern R. R.
Eastern Kentucky Ry.
Elberton & Eastern R. R.
Electric Short Line Ry.
Erie & Michigan Ry. & Navigation Co.

Federal Valley R. R.
Fernwood & Gulf R. R.
Green County (Ga.) R. R.
Flint River & Northeastern R. R.
Florida, Alabama & Gulf R. R.
*Fonda, Johnstown & Gloversville R. R.
Franklin & Pittsylvania R. R.
Gainesville & Northwestern R. R.
Garyville Northern R. R.
Glenmora & Western Ry.
Georgia Northern Ry.
Grasse River R. R.
Indian Valley R. R.
Ironton R. R.
Jefferson & Northwestern Ry.
Jonesboro, Lake City & Eastern R. R.
Kalamazoo, Lake Shore & Chicago Ry.
Kentucky & Tennessee Ry.
Kentwood & Eastern Ry.
Kosciusko & Southeastern R. R.
LaCrosse & Southeastern Ry.
Little River R. R. (Tenn.).
Live Oak, Perry & Gulf R. R.
Loranger, Louisiana & Northeastern R. R.
Louisville, New Albany & Corydon R. R.
Manchester & Oneida Ry.
Manistee & Northeastern R. R.
Marianna & Blountstown R. R.
Marion & Eastern R. R.
Maryland & Pennsylvania R. R.
Miami Mineral Belt R. R.
Midland & Northwestern Ry.
Midland Ry. (Ga.).
Minneapolis, Red Lake & Manitoba Ry.
Missouri Southern R. R.
Modesto & Empire Traction Co.
Montana, Wyoming & Southern R. R.
Morehead & North Fork R. R.
Mount Hood R. R.
Mt. Jewett, Kinzua & Riterville R. R.
Muscatine, Burlington & Southern R. R.
Natchez, Columbia & Mobile R. R.
Nevada Copper Belt R. R.
Newaukum Valley R. R.
New Jersey, Indiana & Illinois R. R.
New Orleans, Natalbany & Natchez Ry.
Northwestern R. R. of South Carolina.
Norwood & St. Lawrence R. R.
Oneida & Western R. R.
Palatine, Lake Zurich & Wauconda R. R.
Paris & Mount Pleasant R. R.
Pecos Valley Southern Ry.
Pelham & Havana R. R.
Pickens R. R.
Pittsburgh, Lisbon & Western R. R.
Pittsburgh & Susquehanna R. R.
Prattsburg Ry.
Prescott & Northwestern R. R.
Preston R. R.
Rapid R. R.
Rio Grande & Eagle Pass Ry.
Rockingham R. R.
Randolph & Cumberland Ry.
Rock Island Southern Ry.
Rome & Northern R. R.
Roscoe, Snyder & Pacific Ry.
St. Louis, Kennett & Southeastern R. R.
Sand Springs Ry.
Shearwood Ry.
South Georgia Ry.
South Manchester R. R.
Tennessee, Alabama & Georgia R. R.
Tennessee & North Carolina R. R.
Tennessee R. R.
Trinity Valley Southern R. R.
Tuskegee R. R.
Unadilla Valley Ry.
Ursina & North Fork Ry.
Valdosta, Moultrie & Western Ry.
Virginia Blue Ridge Ry.
Virginia & Truckee Ry.
Wabash, Chester & Western R. R.
Washington & Choctaw Ry.
Washington & Lincolnton R. R.
Waycross & Southern R. R.
Western Allegheny R. R.
West Virginia Midland R. R.
White River R. R. (Vt.).
Wildwood & Delaware Bay Shore Line R. R.
Willamette Valley & Coast R. R.
Wilmington, Brunswick & Southern R. R.
Williamsport & North Branch R. R.

Statement of claims made by railroad companies for special compensation, in addition to standard return, and disposition of same to Apr. 1, 1920.

Claims allowed:	
Baltimore & Ohio	$2,136,932.00
New York Connecting R. R. Co	850,000.00
Missouri, Kansas & Texas Ry. Co	687,672.00
Southern Ry. Co.:	
For 1918	203,165.84
For 1919	439,635.24
Thereafter	521,250.40
Chicago, Milwaukee & St. Paul	440,082.39
Seaboard Air Line Ry. Co	335,000.00
Chesapeake & Ohio Ry. Co	258,374.30
Gulf Coast Lines (approximate)	204,801.05
Missouri, Oklahoma & Gulf (approximate)	211,480.00
International & Great Northern Ry. Co	202,000.00
Carolina, Clinchfield & Ohio Ry. Co	177,006.99

Claims allowed—Continued.

Missouri & North Arkansas	$161,230.00
Kansas City, Mexico & Orient	140,926.61
Wheeling & Lake Erie	137,417.00
New York, Chicago & St. Louis R. R. Co	125,000.00
Atlanta, Birmingham & Atlantic	121,941.57
Georgia & Florida R. R. (Augusta Southern)	116,000.00
Old Dominion Steamship Co	114,307.32
Northwestern Pacific R. R. Co	102,899.00
Norfolk Southern R. R. Co	99,880.20
San Antonio & Aransas Pass R. R. Co	83,632.30
Fort Dodge, Des Moines & Southern	78,489.78
St. Louis & Southwestern	67,303.78
Minneapolis, St. Louis R. R. Co	67,000.00
Cumberland & Pennsylvania	19,885.50
New York, Susquehanna & Western	19,807.00
Wrightsville & Tennille	16,531.21
Salina Northern R. R	15,000.00
Louisville & Wadley	2,819.57
Van Buren Bridge Co	11,126.47
Chicago, Milwaukee & Gary	5,000.00
Tidewater Southern Ry. Co	4,455.10
Mississippi Central	1,270.02
Western Maryland Ry. Co	240,390.39
Indianapolis & Frankfort	76,144.86
Total claims allowed	7,771,461.85

Claims denied:

New York Central	5,339,941.20
Chicago, Rock Island & Pacific	5,193,045.34
St. Louis-San Francisco	4,971,520.73
Missouri Pacific	4,383,736.12
Pere Marquette Ry. Co	2,453,474.56
New York, New Haven & Hartford	2,000,000.00
Great Northern	1,426,320.00
Erie R. R	1,397,577.91
Virginian Ry. Co	1,952,396.59
Lehigh Valley	900,273.98
Boston & Maine	809,624.34
St. Louis Terminal Association Lines	696,593.66
Delaware & Hudson	693,861.87
Florida East Coast Ry. Co	672,804.71
Evansville & Indianapolis	622,504.69
Union Pacific	595,079.00
Illinois Central	524,736.84
Detroit, Toledo & Ironton	512,791.00
Chicago, Indianapolis & Louisville	470,808.12
Northern Pacific	437,579.22
Pittsburgh, Chicago, Cincinnati & St. Louis	395,231.79
Chicago, Terre Haute & Southeastern	392,856.95
Louisville & Nashville	341,776.40
West Jersey Seashore R. R. Co	266,000.00
Long Island R. R. Co	258,968.95
Norfolk & Western	189,700.09
Pullman Co	160,000.00
New Orleans Great Northern	155,192.21
Lorain, Ashland & Southern	135,000.00
Philadelphia & Reading	128,059.50
Munising, Marquette & Southeastern	125,031.86
Gulf & Ship Island	124,908.00
Waterloo, Cedar Falls & Northern	123,410.94
Louisiana & Arkansas	120,695.30
Toledo, Peoria & Western	120,360.25
Houston & Brazos Valley Ry. Co	112,532.05
Ann Arbor	109,721.01
Bangor & Aroostock	107,170.24

Claims denied—Continued.	
Hudson & Manhattan	$89, 224. 00
Minneapolis, St. Paul & Saulte Ste. Marie	86, 084. 99
Lake Superior & Ishpeming Ry. Co. (approximately)	246, 113. 34
Lehigh & New England	57, 520. 45
Kansas City Southern	57, 477. 11
Detroit & Toledo Shore Line R. R. Co	54, 935. 33
Escanaba & Lake Superior	46, 311. 99
Port Reading	42, 288. 86
Pacific Coast	35, 222. 28
Galveston Wharf Co	32, 479. 41
Connecting Terminal R. R.	29, 087. 60
Vicksburg, Shreveport & Pacific Ry. Co	28, 780. 00
Detroit, Bay City & Western	18, 000. 00
Wildwood & Delaware Bay (cooperative contract)	15, 562. 75
Galveston, Houston & Henderson	9, 458. 00
Catasauqua & Fogelsville	8, 107. 52
Piedmont & Northern	2, 605. 23
Rapid City, Black Hills & Western Ry. Co	1, 837. 98
Atlantic City R. R.	642. 81
Total claims denied	40, 282, 923. 05
Claims withdrawn:	
Spokane, Portland & Seattle	1, 645, 635. 44
Chicago Great Western	171, 513. 49
Elgin, Joliet & Eastern	115, 756. 01
Nashville, Chattanooga & St. Louis	78, 230. 47
Farmers' Grain & Shipping Co	53, 647. 33
Atlantic Coast Line	44, 361. 84
Ocean Steamship Co	43, 818. 97
Central of Georgia	39, 468. 09
Buffalo & Susquehanna	6, 957. 95
Total claims withdrawn	2, 199, 389. 59
	Amount claimed in excess of standard return.
Claims pending before boards of referees:	
Western Pacific R. R. Co	$1, 682, 962. 00
San Antonio, Uvalde & Gulf	104, 071. 62
Chicago & Alton R. R.	926, 685. 08
Cincinnati, Indianapolis & Western	529, 699. 00
Boston, New York & Cape Cod Canal	495, 644 04
Toledo, St. Louis & Western	176, 051. 62
Pittsburgh & Shawmut	157, 302. 81
Ulster & Delaware R. R.	71, 722. 23
Toledo Terminal	47, 000. 87
Merchants & Miners' Transportation Co	309, 487. 83
Anthony & Northern	9, 000. 00
Arkansas & Louisiana Midland	93, 005. 94
Monongahela	107, 780. 53
Total	4, 710, 413. 57
Claims decided by boards of referees and amount of compensation awarded in excess of standard return:	
Midland Valley	321, 333. 05
Chicago & Eastern Illinois	1, 505, 999. 12
Total	1, 825, 332. 17
Claims pending before compensation committee:	
Copper Range R. R.	67, 879. 06
Wabash R. R.	2, 854, 491. 09
Gulf, Mobile & Northern	177, 301. 00
Pittsburgh & West Virginia	284, 175. 11
West Side Belt	284, 568. 22
Total claims pending	3, 668, 414. 48

EXHIBIT G.

Statement showing number of employees, titles, and salaries of positions, of the United States Railroad Administration, Director General's organization, as of Mar. 15, 1920.

Title of position.	Number of employees.	Salary.
DIRECTOR GENERAL'S OFFICES.		
General.		
Director General of Railroads	1	$25,000
Private secretary	1	4,000
Secretary to the director general	1	4,000
Assistant secretary	1	1,800
Stenographer	1	1,320
	5	....
Assistant to the director general.		
Assistant to the director general	1	10,000
Assistant	1	5,000
Correspondent [1]	1	3,000
Secretary [1]	1	2,500
Clerk [1]	1	2,400
Stenographer	1	1,800
General clerk	1	2,100
Clerk [1]	1	1,629
Clerk	1	1,500
Stenographer [1]	1	1,500
Nurse	1	1,320
Clerk [1]	1	900
Chief messenger	1	1,320
Messenger	1	1,080
	14	....
Office manager.		
Office manager	1	5,000
Assistant to office manager	1	2,400
General clerk	1	2,000
Secretary to office manager	1	1,800
Stenographer	2	1,320
Typist	1	1,200
	7	....
Assistant office manager's office.		
Assistant office manager [1]	1	3,000
Stenographer	1	1,500
Junior clerk	1	840
	3	....
Personnel Bureau.		
Assistant to office manager	1	3,000
Chief clerk, personnel	1	1,680
Clerk	1	1,500
Clerk-typist	1	1,200
	4	....
Bureau of incoming mails and files.		
Chief	1	2,700
Correspondent	2	2,000
Stenographer	2	1,500
Stenographer	2	1,320
Chief mail clerk	1	1,380
Mail clerk	1	1,200
Head mail clerk	1	1,000
Office boy	1	720
Mail carrier	2	600
Do	1	480
File clerk	1	2,000
DIRECTOR GENERAL'S OFFICE—continued.		
Bureau of incoming mails and files—Continued.		
Assistant file clerk	1	$1,500
Do	1	1,440
File assistant	1	1,320
Do	2	1,200
Indexer	2	1,320
Do	1	1,200
Do	2	1,080
File clerk	1	1,140
Do	1	2,160
Do	1	1,320
	28	....
Document bureau.		
Chief	1	2,000
Clerk	2	1,500
	3	....
Printing bureau.		
Printing clerk	1	2,700
Assistant printing clerk	1	2,300
Proofreader	2	2,160
Clerk	1	1,500
Do	1	1,320
Typist	1	1,200
Messenger	1	600
	8	....
Telephone bureau.		
Chief operator	1	1,200
Operator	3	1,080
Do	1	600
	5	....
Outgoing mail bureau.		
Chief	1	2,400
Chief mailing clerk	1	1,800
Mailing clerk	1	1,500
Stenographer	1	1,500
Multigraph operator	1	1,200
Addressograph operator	1	960
Mimeograph operator	1	720
Record clerk	1	720
Mail clerk	2	840
Do	1	720
Do	2	600
	13	....
Telegraph bureau. [1]		
Telegrapher	2	1,700
Bureau of supplies.		
Supply clerk	1	1,920
Clerk	1	1,620
Do	2	1,320
Do	1	1,260
Do	1	1,020
Stenographer	1	1,320

[1] Has since left the service.

Statement showing number of employees, titles, and salaries of positions, of the United States Railroad Administration, Director General's organization, as of Mar. 15, 1920—Continued.

Title of position.	Number of employees.	Salary.
DIRECTOR GENERAL'S OFFICE—continued.		
Bureau of Supplies—Contd.		
Typist	1	$1,200
Stenographer-typist	1	1,200
Messenger	2	840
General mechanic	1	1,500
Engineer	1	1,440
Do	2	300
Fireman	5	1,080
Chauffeur	1	1,120
Do	1	960
Watchman	10	1,080
Do	1	960
Elevator operator	1	1,260
Do	5	960
Laborer-fireman	1	1,080
Laborer	19	960
Matron	1	240
Do	1	576
Forecharwoman	1	720
Charwomen	14	612
Do	9	384
	85	....
Regional offices.		
Central western region:		
General chief clerk	1	2,400
File clerk	1	2,100
Do	1	1,800
Do	1	1,500
Clerk	1	1,440
Do	1	1,200
Northwestern region:		
Chief clerk	1	2,700
Clerk	1	2,400
Do	1	1,560
Do	1	1,500
Do	1	900
Southwestern region:		
File clerk	1	2,700
Do	1	2,340
Do	1	1,260
Do	1	1,860
Eastern region:		
Chief clerk	1	3,000
Do	1	2,400
Chief, file bureau	1	2,640
File clerk	1	1,500
Do	1	1,080
	20	....
Recapitulation.		
Director general's general offices	5	....
Assistant to the director general	14	....
Office manager	7	....
Assistant office manager's office	3	....
Personnel bureau	4	....
Bureau of incoming mails and files	28	....
Document bureau	3	....
Printing bureau	8	....
Telephone bureau	5	....
Outgoing mail bureau	13	....
Telegraph bureau	2	....
Bureau of supplies	85	....
Regional offices	20	....
	197	....

Title of position.	Number of employees.	Salary.
DIVISION OF FINANCE.		
General office.		
Director	1	$25,000
Assistant to director	1	9,000
Accountant	1	3,000
Do	1	2,400
Secretary	1	2,400
Stenographer	1	1,800
Do	2	1,500
Laborer	1	840
Messenger	1	600
	10	....
Treasurer's office.		
Treasurer	1	10,000
Cashier	1	3,600
Statistician	1	2,400
Bookkeeper	1	2,220
Assistant bookkeeper	1	1,650
Secretary to treasurer	1	1,620
Stenographer-clerk	1	1,620
Stenographer	1	1,500
Clerk	1	1,380
Do	1	1,140
Messenger	1	600
	11	....
RECAPITULATION.		
General office	10	....
Treasurer's office	11	....
	21	....
DIVISION OF OPERATION.		
General office.		
Office assistant	1	12,000
Assistant chief clerk	1	3,600
Chief pass clerk	1	2,700
Assistant secretary	1	2,700
General clerk	1	2,400
Clerk	2	1,800
File clerk	1	1,800
Stenographer	1	1,800
Assistant file clerk	1	1,620
Do	1	1,380
	11	....
Committee on health and medical relief.		
Chairman	1	3,500
Secretary	1	3,000
Assistant secretary	1	1,800
	3	....
Troop movement.		
Clerk	1	3,600
Do	1	2,400
Do	1	960
	3	....

[1] Abolished Mar. 16, 1920.

Statement showing number of employees, titles, and salaries of positions, of the United States Railroad Administration, Director General's organization, as of Mar. 15, 1920—Continued.

Title of position.	Number of employees.	Salary.
DIVISION OF OPERATION—con.		
Car hire bureau.		
Manager	1	$6,000
Chief clerk	1	3,000
Inspector	1	2,400
Statistical clerk	1	2,100
Chief per diem clerk	1	1,950
Bookkeeper	1	1,950
Chief car record clerk	1	1,620
Interchange clerk	1	1,320
Per diem clerk	7	1,320
Stenographer	3	1,200
File clerk	1	1,200
Car record clerk	7	1,200
Do	12	1,050
Do	1	480
	39	....
Fuel conservation.		
Assistant to manager	1	4,200
Inspection and test section.		
Manager	1	9,000
Assistant engineer	1	4,800
Do	1	2,880
Inspector	1	3,000
Chief clerk	1	2,400
Clerk	1	2,100
Do	2	1,800
Do	1	1,500
Do	2	1,380
Do	4	1,200
Stenographer	1	1,800
Do	1	1,500
Do	1	1,320
Typist	7	1,200
	25	....
Marine section.		
Chief clerk	1	3,000
Secretary	1	1,800
	2	....
Safety section.		
Manager	1	9,000
Statistician	1	2,100
Stenographer	1	1,800
	3	....
Engineering and maintenance.		
Secretary	1	1,800
Recapitulation.		
General office	11	....
Committee health and medical relief	3	....
Troop movement section	3	....
Care hire bureau	39	....
Fuel conservation section	1	....
Inspection and test section	25	....
Marine section	2	....
Safety section	3	....
Engineering and maintenance section	1	....
	88	....

Title of position.	Number of employees.	Salary.
LABOR.		
Assistant to director general	2	$10,000
Member board of adjustment	2	12,000
Do	20	7,500
Special assistant	1	10,000
Office manager	1	5,000
Manager, women's service secretary	1	5,000
Schedule expert, board of adjustment	1	4,500
Special assistant	1	4,200
Do	2	4,000
Office assistant	1	3,600
Secretary	2	3,000
Field agent	2	2,700
Correspondence clerk	1	3,000
Do	2	2,500
Assistant secretary	1	2,400
General clerk	1	2,700
Reporter	2	2,100
Assistant reporter	2	1,800
Statistician	1	1,800
File clerk	1	2,400
Secretary	2	1,800
Clerk	1	1,620
Stenographer	13	1,500
Do	1	1,400
Do	3	1,320
Do	1	1,200
File clerk	1	1,500
Do	3	1,320
Do	2	1,200
Assistant file clerk	1	2,100
Typist	2	1,320
Do	2	1,200
Junior clerk	1	1,020
Messenger	1	840
Do	1	720
	82	....
Board of railroad wages and working conditions.[1]		
Chairman	1	10,000
Vice chairman	1	10,000
Member of board	3	10,000
Secretary	1	6,000
Examiner	1	6,000
Wage schedule expert	3	5,000
Statistician	1	3,000
Statistical clerk	2	2,400
Do	1	2,100
Do	1	1,500
Secretary	4	1,800
Clerk and stenographer	1	1,800
Stenographer	6	1,500
File clerk	1	1,800
Clerk	2	1,200
Do	3	1,050
Digest clerk	1	1,200
Junior clerk	1	840
Typist	1	1,200
	35	....
DIVISION OF LIQUIDATION CLAIMS.		
General office.		
Director	1	25,000
Assistant director (temporary)	1	10,000
Chief clerk	1	3,600
Assistant chief clerk	1	2,400
Secretary	1	2,000
Assistant secretary	1	1,800
Clerk typist	1	1,500
Do	1	1,200
File clerk	1	1,320
Messenger	1	600
	10	....

[1] Abolished Apr. 1, 1920.

*Statement showing number of employees, titles, and salaries of positions, of the Unite States Railroad Administration, Director General's organization, as of Mar. 15, 1920—*Continued.

Title of position.	Number of employees.	Salary.
DIVISION OF LIQUIDATION CLAIMS—continued.		
Committee on claims.		
Chairman	1	$7,500
Member	1	7,500
Chief clerk	1	2,700
Stenographer	1	1,620
Do	2	1,500
File clerk	1	1,500
Clerk	1	1,200
Do	1	1,020
Do	1	780
	10	....
Department of equipment.		
Manager	1	10,000
Assistant manager	1	7,500
Chief mechanical engineer	1	7,500
Assistant to chief mechanical engineer	1	3,600
Mechanical engineer	1	4,000
Junior mechanical engineer	1	1,500
Chief examiner	1	6,000
Examiner	9	4,800
Do	1	4,200
Do	2	3,900
Chief clerk	1	3,600
Do	1	2,700
Secretary	3	1,800
Statistician	2	1,800
Clerk	1	2,100
Do	2	1,800
Do	1	1,500
Do	1	1,440
Do	4	1,320
File clerk	1	2,000
Do	1	1,500
Stenographer	7	1,500
Do	3	1,320
Typist	3	1,200
Messenger	1	600
	51	....
Department of traffic.		
Manager	1	7,500
Assistant manager	2	6,000
Do	1	5,000
Do	1	3,300
Do	1	3,000
Chief clerk	1	2,700
Rate clerk	1	3,300
Do	1	3,000
Do	2	2,700
Do	1	2,400
Reparation clerk	1	3,000
Clerk	1	2,100
Secretary	2	1,800
Stenographer	12	1,500
Do	1	1,440
Typist clerk	1	1,320
Do	2	1,200
Chief file clerk	1	1,800
File clerk	2	1,800
Do	1	1,500
Do	2	1,320
Do	1	1,140
Do	1	1,080
Do	3	900
Messengers	2	480
	45	....

Title of position.	Number of employees.	Salary.
DIVISION OF LIQUIDATION CLAIMS—continued.		
Department of ways and structures.		
Manager	1	$7,500
Chief maintenance of way engineer	1	7,500
Engineering assistant	1	5,000
Accountant	1	4,200
Statistician	1	3,600
Assistant engineers	2	3,600
Office engineers	1	2,700
Chief clerk	1	2,400
Secretary to manager	1	1,800
Clerk	1	2,400
Do	3	1,800
Do	4	1,500
Do	1	1,320
Do	1	1,200
Machine operators	2	1,200
File clerk	1	1,560
Do	3	1,200
Do	1	1,120
Stenographers	4	1,500
Messenger	1	600
	32	....
Regional engineer (eastern)	1	6,000
Chief clerk	1	3,300
Clerk	1	2,100
Stenographer	2	1,800
Do	1	1,320
Clerk	1	720
	7	....
Regional engineer (Allegheny)	1	6,000
Statistician	1	5,000
Engineer	1	4,800
Clerk	1	2,700
Do	1	2,220
Clerk-stenographer	1	2,040
Do	1	1,680
Messenger	1	720
	8	....
Regional engineer (southern-Pocahontas)	1	7,500
Assistant engineer	2	3,900
Do	1	3,420
Do	2	2,700
Engineering clerk	1	2,700
Do	1	2,100
Stenographer	1	1,500
	9	....
Acting regional engineer (northwestern)	1	4,800
Chief clerk	1	3,000
Clerk	1	1,800
Do	1	1,560
	4	....
Acting regional engineer (central western)	1	4,800
Assistant engineer	1	3,600
Chief clerk	1	2,100
Clerk	1	1,800
Stenographer	1	1,500
	5	....

Statement showing number of employees, titles, and salaries of positions, of the United States Railroad Administration, Director General's organization, as of Mar. 15, 1920—Continued.

Title of position.	Number of employees.	Salary.
DIVISION OF LIQUIDATION CLAIMS—continued.		
Department of ways and structures—Continued.		
Regional engineer (southwestern)	1	$6,000
Chief clerk	1	3,300
Stenographer	1	1,620
	3	....
Recapitulation.		
General office	10	....
Committee on claims	10	....
Department of equipment	51	....
Department of traffic	45	....
Department of ways and structures	32	....
Regional engineer (eastern)	7	....
Regional engineer (Allegheny)	8	....
Regional engineer (southern-Pocahontas)	9	....
Regional engineer (northwestern)	4	....
Regional engineer (central western)	5	....
Regional engineer (southwestern)	3	....
	184	....
DIVISION OF LAW.		
General counsel	1	$25,000
General solicitor	1	15,000
Assistant general counsel	1	9,000
Assistant to general counsel	1	5,000
Do	1	4,800
Regional counsel	1	8,000
Do	1	7,500
Member compensation committee	1	6,000
Regional attorney	1	4,800
Attorney	1	4,000
Do	1	3,500
Regional claim agent	2	4,000
Secretary to general counsel	1	2,000
Secretary to general solicitor	1	1,800
Manager, claims and property protection section	1	7,500
Secretary to manager, claims and property protection section	1	1,500
Law clerk	1	2,750
Do	1	2,400
Do	1	2,000
Assistant chief clerk	1	2,200
Chief file clerk	1	1,800
File clerk	2	1,680
Do	1	1,200
Assistant file clerk	1	900
Senior clerk	1	1,800
Stenographer	9	1,500
Do	1	1,320
Typist	1	1,200
Typist clerk	1	1,100
Messenger	3	840
Do	1	600
	43	....

Title of position.	Number of employees.	Salary.
DIVISION OF PURCHASES.[1]		
Director	1	$25,000
Chief clerk	2	3,000
Employment clerk	1	2,700
Clerk	1	1,700
Do	3	1,800
Do	1	1,320
Do	1	1,200
Do	1	900
Stenographer	12	1,500
Do	1	1,440
Do	1	1,320
Do	1	1,200
Statistician	1	2,160
Assistant statistician	2	1,800
Statistician	2	2,100
File clerk	1	1,620
Do	1	1,320
Messenger	1	840
Do	1	600
Manager, store section	1	7,200
Assistant supervisor of stores	1	3,300
Timber agent	1	3,000
Lumber inspector	3	2,100
Lumberman	1	3,600
Messenger	1	480
	43	....
Allegheny region.		
Chief clerk	1	2,700
Clerk	1	2,400
Stenographer	1	1,620
Do	1	1,200
	4	....
Central western region.		
Chief clerk	2	2,100
Clerk	1	1,800
Tie and timber clerk	1	2,100
Statistical clerk	1	1,200
Store clerk	1	1,200
Clerk	1	1,140
Stenographer	1	1,500
Do	1	1,440
Do	1	1,320
File clerk	1	1,200
Card writer	2	1,080
Checker	5	1,050
	18	....
Northwestern region.		
Supervisor of stores	1	6,000
Chief clerk	1	3,000
Clerk	1	1,680
Do	2	1,500
Do	1	900
	6	....
Pocahontas region.		
Chief clerk	1	2,400
Clerk	1	2,580
Do	1	2,400
Do	1	2,580
Do	1	1,500
Stenographer	1	1,500
Do	1	1,320
Do	1	1,200
	8	....

[1] Transferred to division of liquidation claims Apr. 1, 1920, and made department of materials and supplies.

Statement showing number of employees, titles, and salaries of positions, of the United States Railroad Administration, Director General's organization, as of Mar. 15, 1920—Continued.

Title of position.	Number of employees.	Salary.
DIVISION OF PURCHASES—contd.		
Southern region.		
Custodian of records	1	$4,200
Chief clerk	1	2,400
Tie solicitor	2	2,400
Statistician	1	2,400
Do	1	2,100
Chief instructor inspector	1	3,000
Instructor inspector	2	2,100
Stenographer	1	1,800
Do	1	1,620
Stenographer-clerk	1	2,280
Secretary	2	1,620
File clerk	1	1,740
Do	1	1,320
General clerk	1	1,320
Do	2	1,200
Car record clerk	1	1,500
Porter	2	1,098
	22	....
Southwestern region.		
Supervisor of stores	1	7,200
Chairman, subcommittee, forest-products section	1	4,800
Office manager, forest-product section	1	3,600
Assistant to supervisor of stores	1	3,600
Chief clerk	2	2,400
Supervisor, lumber inspection	2	2,100
Regional tie inspector	4	1,800
Do	1	1,500
Stenographer-clerk	1	1,680
Stenographer	1	1,500
Do	1	1,380
Do	3	1,320
Do	3	1,200
Do	2	1,050
File clerk	1	1,500
Office boy	1	600
Clerk	1	1,320
Do	2	1,200
Do	1	1,050
Junior clerk	1	660
	31	....
Eastern region.		
Secretary	1	4,200
Statistician	1	2,290
Clerk	4	1,800
Do	1	1,740
Do	1	1,500
Do	1	1,140
Do	1	1,080
Do	1	840
Stenographer	1	1,200
File clerk	1	1,080
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Title of position.	Number of employees.	Salary.
OFFICE OF COMPTROLLER.		
Comptroller	1	$18,000
Assistant comptroller, senior	1	10,000
Do	1	8,400
Do	1	7,800
Statistician	1	7,000
Assistant to comptroller	2	6,000
Do	2	5,400
Do	1	5,000
Auditor	1	7,500
Chief accountant	1	5,400
Chief cost accountant	2	4,800
General accountant	2	3,600
Accountant	1	5,400
Do	2	4,800
Do	1	4,200
Do	2	4,000
Do	5	3,900
Do	7	3,600
Do	1	3,400
Do	3	3,300
Do	1	3,200
Do	21	3,000
Do	1	2,940
Do	22	2,700
Do	7	2,520
Do	1	2,460
Do	43	2,400
Do	1	2,340
Do	8	2,220
Do	6	2,200
Do	48	2,100
Do	2	2,000
Do	2	2,820
Do	1	2,430
Do	2	2,280
Do	7	1,980
Do	2	1,920
Do	1	1,860
Do	39	1,800
Do	2	1,740
Do	3	1,680
Do	2	1,620
Do	1	1,590
Do	4	1,500
Do	1	1,440
General cost accountant	1	3,300
Supervising cost accountant	5	3,000
Do	5	2,700
Cost accountant	1	2,700
Do	4	2,400
Do	2	2,200
Do	11	2,100
Do	4	2,000
Do	7	1,800
Plant accountant	2	2,100
Do	1	1,800
Chief clerk, sections	1	4,200
Do	1	3,000
Bookkeeper	1	1,980
Secretary	3	1,800
Do	1	1,620
Statistical draftsman	1	2,400
Statistical clerks	6	1,800
Do	1	1,640
Do	2	1,620
Head clerk	1	3,000
Do	2	2,700
Clerk	1	3,000
Do	2	2,400
Do	1	2,220
Do	6	2,100
Do	1	1,980
Do	1	1,920
Do	32	1,800
Do	1	1,700
Do	4	1,680
Do	1	1,640

Statement showing number of employees, titles, and salaries of positions, of the United States Railroad Administration, Director General's organization, as of Mar. 15, 1920—Continued.

Title of position.	Number of employees.	Salary.	Title of position.	Number of employees.	Salary.
OFFICE OF COMPTROLLER—con.			OFFICE OF COMPTROLLER—con.		
Clerk	10	$1,620	Computing operator	1	$960
Do	1	1,600	Do	2	900
Do	1	1,560	Messenger	1	960
Do	24	1,500	Do	1	840
Do	7	1,440	Do	3	600
Do	4	1,380	Do	3	600
Do	14	1,320	General bookkeeper	1	3,300
Do	11	1,200	Bookkeeper	1	2,400
Do	1	1,080	Do	2	2,100
Do	2	960	Division head	1	3,600
Do	1	900	Do	1	3,000
Do	1	840	Assistant division head	1	2,100
Do	1	720	Field supervisor	1	3,600
Secretary	1	2,100			
Assistant secretary	1	1,800		528	....
Stenographer clerk	1	1,740			
Do	2	1,620	SUMMARY.		
Stenographers	1	1,600			
Do	12	1,500	Director general	197	....
Do	3	1,440	Division of finance	21	....
Do	1	1,380	Division of operation	88	....
Do	4	1,320	Division of labor	82	....
Typist clerk	4	1,320	Board of railroad wages and		
Typist	3	1,200	working conditions	35	....
Computing operator	3	1,500	Division of liquidation claims	184	....
Do	2	1,440	Division of law	43	....
Do	6	1,320	Division of purchases	144	....
Do	4	1,200	Office of comptroller	528	....
Do	2	1,080			
Do	1	1,020	Total	1,322	....

Total amount of salaries for the month of March, $256,486.58.

Exhibit H.

Obligations of the United States Railroad Administration, office of the comptroller, in connection with financing the construction and purchases of equipment for inland waterways.

SUMMARY.

Construction authorized.	Total estimated cost.	Amount advanced.	Balance required.
New York Canal section	$4,591,209.71	$4,163,143.37	$428,066.34
Mississippi River section	7,697,299.35	5,701,726.94	1,995,572.41
Warrior River section	2,601,096.27	1,921,674.28	679,421.99
Total construction and purchases	14,889,605.33	11,786,544.59	3,103,060.74
Estimated requirements to cover outfit for all vessels, Mississippi-Warrior Rivers and New York Canal	115,950.00	....	115,950.00
Estimated requirements to cover transportation and towing costs of units from point of construction to initial point of service	60,000.00	....	60,000.00
Estimated requirements to cover contingencies arising under terms of existing contracts	200,000.00	....	200,000.00
Total	15,265,555.33	11,786,544.59	3,479,010.74

NEW YORK CANAL SECTION.

51 steel barges (including equipment)	$1,983,340.29	$1,983,340.29	....
21 concrete barges (including equipment)	653,181.02	653,181.02	....
20 self-propelled barges	1,788,048.40	1,368,018.00	$420,030.40
Plans, specifications, mill drawings, and inspection of 20 self-propelled barges	42,700.00	34,664.06	8,035.94
Equipment for 10 of the 20 self-propelled barges	8,050.00	8,050.00	....
Total construction authorized	4,475,319.71	4,047,253.37	428,066.34
PURCHASES AUTHORIZED.			
5 tugs	56,500.00	56,500.00	....
3 wooden barges	59,390.00	59,390.00	....
Total purchases authorized	115,890.00	115,890.00	....
Total New York Canal section	4,591,209.71	4,173,143.37	428,066.34

Obligations of the United States Railroad Administration, office of the comptroller, in connection with financing the construction and purchases of equipment for inland waterways.

MISSISSIPPI RIVER SECTION.

Construction authorized.	Total estimated cost.	Amount advanced.	Balance required.
6 twin-screw towboats	$2,200,982.72		
40 steel cargo barges	4,323,099.00		
1 steel terminal barge	320,000.00		
	6,844,081.72	$4,946,900.00	$1,897,181.72
Plans, specifications, mill drawings, and inspection of the above	111,785.63	75,826.94	35,958.69
1 harbor transfer barge	105,000.00	85,000.00	20,000.00
Total construction authorized	7,060,867.35	5,107,726.94	1,953,140.41
PURCHASES AND BETTERMENTS AUTHORIZED.			
2 towboats, 5 steel cargo barges, 4 steel flat barges	465,382.00	458,500.00	6,882.00
Warehouse and facilities at East St. Louis, Ill	40,000.00	40,000.00	
Erection of cargo houses on 20 steel barges chartered	73,500.00	73,500.00	
1 single-track barge (transfer unit)	20,550.00		20,550.00
Freight-handling facilities	22,000.00	22,000.00	
Loading spouts, Holliday elevator, Cairo	15,000.00		15,000.00
Total purchases and betterments authorized	636,432.00	594,000.00	42,432.00
Total Mississippi River section	7,697,299.35	5,701,726.94	1,995,572.41

WARRIOR RIVER SECTION.

3 steel towboats	$424,830.40		
4 steel self-propelled barges	1,021,573.00		
	1,446,403.40	$918,100.00	$528,303.40
20 wooden barges	121,700.00	121,700.00	
Plans, specifications, mill drawings, and inspection of the above	65,651.87	44,533.28	21,118.59
120 steel cargo containers	64,500.00	9,500.00	55,000.00
Stiff-leg derrick, building foundation, platform, etc., Cordova, Ala., terminal	26,400.00	26,400.00	
Stiff-leg derrick and building foundation, New Orleans, La	16,000.00	16,000.00	
Total construction authorized	1,740,655.27	1,136,233.28	604,421.99
PURCHASES AND BETTERMENTS AUTHORIZED.			
6 steel self-propelled barges, 1 harbor collier, 2 gantry coal towers (including cost of adaption and repairs)	574,500.00	522,500.00	52,000.00
3 towboats (wooden), 23 barges (wooden), and 2 derrick barges (including cost of adaption and repairs)	260,741.00	260,741.00	
Generator for one self-propelled barge	2,200.00	2,200.00	
Coal tipple, Cordova, Ala	23,000.00		23,000.00
Total purchases and betterments authorized	860,441.00	785,441.00	75,000.00
Total Warrior River section	2,601,096.27	1,921,674.28	679,421.99

EXHIBIT I.

Tonnage handled by the United States Railroad Administration on the Mississippi and Warrior Rivers, Warrior River section, from October, 1918, to Dec. 31, 1919.

	Southbound.						
	Coal.	Lumber.	Iron and steel.	Steel rails.	Merchandise.	Total tonnage.	Revenue.
October, 1918, to Dec. 31, 1918	10,350					10,350	$7,400.00
January	12,442					12,442	17,057.71
February	10,023					10,023	12,002.20
March	9,104					9,104	12,611.32
April	8,091					8,091	9,448.67
May	8,045					8,045	9,688.29
June	9,989	501				10,490	16,242.17
July	15,391	1,267				16,658	24,862.94
August	13,242	1,193				14,435	19,367.70
September	10,576	815				11,391	15,715.50
October	12,840	600				13,440	18,934.39
November	11,911	1,195			1	13,107	15,852.94
December	12,410	717	793	541		14,461	20,577.30
Total	144,414	6,288	793	541	1	152,037	199,761.13

	Northbound.					Total tonnage north and south.	Total revenue.
	Merchandise.	Brick.	Sugar.	Total tonnage.	Revenue.		
October, 1918, to Dec. 31, 1918						10,350	$7,400.00
January						12,442	17,057.71
February						10,023	12,002.20
March	8			8	$13.74	9,112	12,625.06
April	8	6		14	40.12	8,105	9,488.79
May	9			9	43.96	8,054	9,732.25
June	11		82	93	365.40	10,583	16,607.57
July	23			23	101.05	16,681	24,963.99
August	2			2	7.55	14,437	19,375.25
September	9		5	14	72.66	11,405	15,788.16
October	16			16	58.61	13,456	18,993.00
November						13,107	15,852.94
December	10			10	40.09	14,471	20,617.39
Total	96	6	87	189	743.18	152,226	200,504.31

Statement of classified tonnage moved on Mississippi River, Sept. 30, 1918, to Dec. 31, 1919.

Commodity.	Tonnage.		Revenue.	
	Southbound.	Northbound.	Southbound.	Northbound.
Beverages, wines, etc	395	32	$2,359.16	$132.12
Brick	1,063		3,064.67	
Burlap		1,094		3,290.23
Canned goods	104		575.75	
Coffee		5,879		22,083.89
Corn	4,792		11,156.58	
Cement, asbestos	135		577.33	
Cottonseed meal	325		711.75	
Flour	4,821	20	11,096.74	100.00
Furniture	191		1,711.40	
Grain and grain products	35,297	8	85,359.04	60.00
Hats, palm		289		4,337.63
Hoops, iron	242		851.78	
Iron and steel articles	609	1,780	2,745.50	6,423.34
Iron, structural	348		1,175.22	
Machinery, etc	615	3	4,596.32	70.00
Merchandise	5,106	522	41,883.04	5,778.86
Miscellaneous	5,056	4,364	22,518.26	12,305.47
Molasses and sirup	1,885	669	8,407.30	2,615.15
Nitrate, nitrate of soda		1,914		6,189.71

Statement of classified tonnage moved on Mississippi River, Sept. 30, 1918, to Dec. 31, 1919—Continued.

Commodity.	Tonnage.		Revenue.	
	Southbound.	Northbound.	Southbound.	Northbound.
Oats	2,727		$5,188.00	
Other mill products	283	280	795.46	$4,200.00
Packages, empty, returned		109		361.93
Paper, newsprint, paper articles	708		2,894.45	
Railway equipment	238		1,019.17	
Rice	6,969	26	32,027.80	121.04
Shells, crushed oyster		522		715.55
Sisal		938		3,334.94
Soap and powder	211		969.97	
Starch and cornstarch	184		812.29	
Sugar		18,355		93,866.00
Tobacco	244	57	1,235.93	488.98
Towing	308		3,680.17	1,986.36
Wheat	17,582		40,727.14	
Wire		209		874.89
Wire, barbed		639		1,974.98
Total	90,438	37,709	298,140.22	171,311.08

Statement of classified tonnage moved on New York Barge Canal for season of 1919.

Commodity.	Tonnage.		Revenue.	
	Eastbound.	Westbound.	Eastbound.	Westbound.
Wheat	11,843		$35,738.52	
Oats	50,274		128,369.39	
Pig iron	14,609		44,682.72	
Barley	9,798		26,561.66	
Flour	2,744		8,105.08	
Oil cake	7,621		17,454.39	
Copper	2,988		7,074.15	
Rye	22,502		63,870.28	
Miscellaneous	0.125	1,265	1.88	$5,019.12
Flax and linseed		34,128		117,475.14
Sugar		864		2,485.57
Books		135		554.36
Soap		1,070		2,755.67
Copra meal		92		372.69
Whiting		245		626.32
Wool		1,557		7,375.72
Lubricating oil		140		545.43
Silex lining		68		202.02
Borax		392		1,409.69
Burlap and burlap bagging		352		991.30
Boots and shoes		142		662.68
Rope and twine		1,417		2,269.82
Cotton piece goods		203		783.11
Pepper		82		363.44
Gum copal		180		781.34
Mellins food		175		501.48
Tapioca		453		837.43
Iron and steel		182		419.90
Currants		142		626.58
Wire		200		680.11
Soda		123		417.44
Sirup		272		978.12
Total	122,379.125	43,879	331,858.07	149,134.48

LAND-GRANT RAILROADS.

I find on further examination that there was no change in the basis of payments of rates on the land-grant railroads during the period of Federal control except that the deficiency act of October 6, 1917, provides for the payment of 50 per cent of the fares to the Rock Island lines between Memphis, Tenn., and Argenta, Ark. (131 miles), and to the St. Louis, Iron Mountain & Southern between Birds Point, Mo., and Texarkana, Ark. (394.5 miles), and between Argenta, Ark., and Fort Smith, Ark. (165.16 miles). As a result, an effort was made to have the War Department pay other land-grant railroads than the two thus named on the same basis, and consideration was given also to the idea, which was advanced by former Director General McAdoo, that during the period of Federal control the War Department ought to pay full tariff rates, but in view of the decision of the Comptroller of the Treasury that no appropriation can be used for the payment for railroad service by the Government except as authorized by the appropriation bills, and that payments for transportation over land-grant roads are subject to deductions heretofore authorized by law, the effort was unsuccessful, so that except to the inconsiderable extent mentioned above, rates have applied on land-grant railroads the same as prior to the war.

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